Original

ERLANGER EAST HOSPITAL

CN1412-048

STATE OF TENNESSEE
Health Services and Dev Agency
Office 31607001
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Cashier:	annir0811001
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CON Filing Fees

Receipt #: 13558151

HA01 CON Filing Fees	$23,643.00
Payment Total:	**$23,643.00**

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Transaction Total:	**$23,643.00**
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Thank you for your payment.
Have a nice day!

CN1412-048

erlanger

DEC 5 14 09:49

December 2, 2014

Ms. Melanie M. Hill
Executive Director
State of Tennessee
Health Services & Development Agency
Andrew Jackson Building, Ninth Floor
502 Deaderick Street
Nashville, TN 37243

RE: Certificate of Need Application
Replace & Relocate Linear Accelerator

Dear Ms. Hill:

Enclosed is our Certificate of Need application together with required fee for the above reference project. We are hopeful that we have provided all necessary information needed for review; however, should staff have questions or require additional information we will promptly provide this information.

We look forward to working with you and staff in the review of the proposed project.

Sincerely,

Joseph M. Winick, FACHE
Senior Vice President,
Planning, Analytics & Business Development

CERTIFICATE OF NEED APPLICATION

Chattanooga-Hamilton County Hospital Authority

D / B / A

Erlanger East Hospital

Application To Initiate Radiation Therapy Service

On The Erlanger East Campus

By Replacement & Relocation Of A Linear Accelerator

Currently At Erlanger Medical Center

ERLANGER HEALTH SYSTEM
Chattanooga, Tennessee

Section A

APPLICANT PROFILE

Section A: APPLICANT PROFILE

Please enter all Section A responses on this form. All questions must be answered. If an item does not apply, please indicate "N/A". ***Attach appropriate documentation as an Appendix at the end of the application and reference the applicable item Number on the attachement.***

1. Name of Facility, Agency, or Institution.

Chattanooga-Hamilton County Hospital Authority
D / B / A
Erlanger East Hospital
1755 Gunbarrel Road
Hamilton County
Chattanooga, TN 37416

2. Contact Person Available For Responses To Questions.

Joseph M. Winick, Sr. Vice President
Planning & Business Development
Erlanger Health System
975 East 3rd Street
Chattanooga, TN 37403
(423) 778-8088
(423) 778-7525 -- FAX
Joseph.Winick@erlanger.org -- E-Mail

3. Owner of the Facility, Agency, or Institution.

Chattanooga - Hamilton County Hospital Authority
D / B / A
Erlanger Health System
975 East 3rd Street
Hamilton County
Chattanooga, TN 37403
(423) 778-7000

4. Type of Ownership or Control.

A. Sole Proprietorship _____
B. Partnership _____
C. Limited Partnership _____
D. Corporation (For Profit) _____

E.	Corporation (Not-for-Profit)	_____
F.	Governmental (State of TN or Political Subdivision)	X
G.	Joint Venture	_____
H.	Limited Liability Company	_____
I.	Other (Specify)	_____

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

-- A copy of the enabling legislation along with a copy of the certification by the Tennessee Secretary of State is attached at the end of this Application.

-- Please note that *Erlanger Health System* is a single legal entity and *Erlanger East Hospital* is an administrative unit of *Erlanger Health System*.

5. Name of Management / Operating Entity (if applicable).

*** Not Applicable. ***

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

6. Legal Interest in the Site of the Institution

(Check One)

A.	Ownership	X
B.	Option to Purchase	_____
C.	Lease of _____ Years	_____
D.	Option to Lease	_____
E.	Other (Specify)	_____

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

7. Type of Institution

(Check as appropriate - more than one response may apply)

A.	Hospital (Specify) General Medical / Surgical	X
B.	Ambulatory Surgical Treatment Center (ASTC), Multi-Specialty	
C.	ASTC, Single Specialty	
D.	Home Health Agency	
E.	Hospice	
F.	Mental Health Hospital	
G.	Mental Health Residential Treatment Facility	
H.	Mental Health Institutional Habilitation Facility (ICF/MR)	
I.	Nursing Home	
J.	Outpatient Diagnostic Center	
K.	Recuperation Center	
L.	Rehabilitation Facility	
M.	Residential Hospice	
N.	Non-Residential Methadone Facility	
O.	Birthing Center	
P.	Other Outpatient Facility (Specify)	
Q.	Other (Specify)	

8. Purpose of Review

(Circle Letter(s) as appropriate - more than one response may apply)

A.	New Institution	
B.	Replacement/Existing Facility	
C.	Modification/Existing Facility	
D.	Initiation of Health Care Service As Defined In TCA § 68-11-1607(4) (Specify) Linear Accelerator	X
E.	Discontinuance of OB Services	
F.	Acquisition of Equipment	
G.	Change in Beds [*Please note the type of change by underlining the appropriate response:* Increase, Decrease, Designation, Distribution, Conversion, Relocation]	
H.	Change of Location	X
I.	Other (Specify)	

9. Bed Complement Data

Please indicate current and proposed distribution and certification of facility beds.

		Licensed Beds	*(*) CON Beds*	*Staffed Beds*	*Beds Proposed*	*TOTAL Beds at Completion*
A.	Medical	12	44	12	56	56
B.	Surgical	6	22	6	28	28
C.	Long-Term Care Hospital					
D.	Obstetrical	25		25	25	25
E.	ICU / CCU		4		4	4
F.	Neonatal					
G.	Pediatric					
H.	Adult Psychiatric					
I.	Geriatric Psychiatric					
J.	Child / Adolescent Psychiatric					
K.	Rehabilitation					
L.	Nursing Facility (Non – Medicaid Certified)					
M.	Nursing Facility Level 1 (Medicaid only)					
N.	Nursing Facility Level 2 (Medicare only)					
O.	Nursing Facility Level 2 (dually certified Medicaid / Medicare)					
P.	ICF / MR					
Q.	Adult Chemical Dependency					
R.	Child and Adolescent Chemical Dependency					
S.	Swing Beds					
T.	Mental Health Residential Treatment					
U.	Residential Hospice					
	TOTAL	43	70	43	113	113

(*) CON Beds approved but not yet in service.

Notes

(1) *Erlanger East Hospital* also holds a CON for the transfer of up to 70 additional beds from *Erlanger Medical Center* (no. CN0405-047AE). The expansion of *Erlanger East Hospital* is in process.

(2) *Erlanger East Hospital* operates as a satellite facility of *Erlanger Medical Center* under the Tennessee Dept. of Health - License No. 000140.

10. Medicare Provider Number 044-0104

Certification Type General Medical/Surgical

11. Medicaid Provider Number 044-0104 (** See note.)

Certification Type General Medical/Surgical

** Please note that the same provider number for Medicare has been shown for Medicaid as well. This is because the individual TennCare MCO's each assign their own particular provider ID numbers.

12. If this is a new facility, will certification be sought for Medicare and / or Medicaid ?

Yes _____ No _____

** *Not Applicable - Erlanger East Hospital* currently participates in both the Medicare and TennCare/Medicaid programs.

13. Identify all TennCare Managed Care Organizations / Behavioral Health Organizations (MCO's/BHO's) operating in the proposed service area.* Will this project involve the treatment of TennCare participants ?** *Yes* **If the response to this item is yes, please identify all MCO's/BHO's with which the applicant has constracted *or plans to contract.

Discuss any out-of-network relationships in place with MCO's/BHO's in the area.

Response

With the initiation of the *Health Care Exchanges* under the *Affordable Care Act* on January 1, 2014; *Blue Network E* enrolled over 10,000 uninsured people and *Erlanger* is the only provider in this network. Further, an additional 7,000 people were enrolled in *Blue Network S* and *Erlanger* is one of only two providers in this network. *Erlanger* is the low cost and safety net provider in the regional service area and participates in narrow networks to facilitate needed care for those who would otherwise not be able to receive it.

Erlanger currently has contracts with the following entities.

A. TennCare Managed Care Organizations

-- BlueCare
-- TennCare *Select*
-- AmeriGroup Community Care

B. Georgia Medicaid Managed Care Organizations

-- AmeriGroup Community Care
-- Peach State Health Plan
-- WellCare Of Georgia

C. Commercial Managed Care Organizations

-- Blue Cross / Blue Shield of Tennessee
  - Blue Network P
  - Blue Network S
  - Blue Network E
  - Blue CoverTN
  - Cover Kids
  - AccessTN
  - Blue Advantage
-- Blue Cross of Georgia (HMO & Indemnity)
-- Bluegrass Family Health, Inc.
  (includes Signature Health Alliance)
-- CIGNA Healthcare of Tennessee, Inc.
  (includes LocalPlus)
-- UNITED Healthcare of Tennessee, Inc.
  (Commercial & Medicare Advantage)
-- Aetna Health
-- Health Value Management D/B/A Choice Care Network (Commercial & Medicare Advantage)
-- HUMANA (Commercial & Medicare Advantage)
-- HUMANA Military
-- HealthSpring (Commercial & Medicare Advantage)
-- Windsor Health Plan (Medicare Advantage)
-- Olympus Managed Health Care, Inc.

D. Alliances

-- Health One Alliance

E. Networks

-- Multi-Plan (includes Beech Street & PHCS)
-- MCS Patient Centered Healthcare
-- National Provider Network

-- NovaNet (group health)
-- USA Managed Care Corp.
-- MedCost
-- Alliant Health Plan
-- Crescent Preferred Provider Organization
-- Evolutions Healthcare System
-- Prime Health Resources
-- Three Rivers Provider Network
-- Galaxy Health Network
-- First Health Network
-- Integrated Health Plan
-- Logicomp Business Solutions, Inc.
-- HealthSCOPE Benefits, Inc.
-- HealthCHOICE (Oklahoma State & Education Employees Group Insurance Board)

F. Other

-- Alexian Brothers Community Services

Section B

PROJECT DESCRIPTION

Section B: PROJECT DESCRIPTION

Please answer all questions on 8 ½" x 11" white paper, clearly typed and spaced, identified correctly and in the correct sequence. In answering, please type the question and the response. All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a particular question does not apply to your project, indicate "Not Applicable (NA)" after that question.

I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing.

Response

Erlanger Medical Center, the region's safety net provider for adults and children, seeks approval to replace one of its Linear Accelerators which is now 17 years old and relocate it to *Erlanger East Hospital*. The relocated Linear Accelerator will be part of a satellite cancer center which already provides service at *Erlanger East Hospital*. It should be noted that *Erlanger East Hospital* operates, and is licensed as, a satellite hospital of *Erlanger Medical Center*. With the implementation of this project the Oncology Department at *Erlanger East Hospital* will be a full service provider of care to both adults and children. The departments and services at *Erlanger East Hospital* maintain the same core competencies as services which are offered at *Erlanger Medical Center*.

Proposed Services & Equipment

Erlanger Medical Center seeks to replace a 17 year old Linear Accelerator and relocate it to *Erlanger East Hospital*. The relocation of the Linear Accelerator will be part of a satellite cancer center at *Erlanger East Hospital* which includes an infusion center and women's breast center.

Ownership Structure

The *Chattanooga-Hamilton County Hospital Authority* is a governmental unit of the *State of Tennessee*, created

by a private act of the *Tennessee General Assembly* in 1976. The hospital authority does business under the trade names of *Erlanger Health System*, *Erlanger Medical Center* and *Erlanger East Hospital*, among others. As a governmental unit, there are no "owners" per se, other than the people and general public of the *State of Tennessee*.

Service Area

The service area for this project is defined as Hamilton County, Tennessee (Primary), and the nine (9) counties in Tennessee which surround Hamilton County, comprised of the Secondary Service Area … Bradley, Marion, Grundy, Sequatchie, Bledsoe, Rhea, Meigs, McMinn and Polk.

Need

Erlanger Medical Center has a need to replace a seventeen (17) year old Linear Accelerator and relocate it to *Erlanger East Hospital* to foster ease of patient access. The relocation is justified because an analysis of patient origin for the Radiation Oncology service at *Erlanger Medical Center* shows that of the 482 patients served in 2013, 349 patients (i.e. 72.4%) originated from 10 counties in Southeast Tennessee as well as some counties in Northeast Alabama, Northwest Georgia and Southwest North Carolina. Further, the analysis shows that 217 patients originated from points East of Chattanooga and the remaining 265 patients originated from points West of Chattanooga. The relocation of the Linear Accelerator to *Erlanger East Hospital* will provide better access to this service for those patients.

Existing Resources

In addition to the proposed relocation there are currently 8 other linear accelerators in the service area (*Erlanger Medical Center-1, Memorial Hospital-3, Parkridge Medical Center - 2, Cleveland Regional Cancer Center-1, and Athens Regional Medical Center-1)*. The relocation of this Linear Accelerator will not change or increase the total inventory of Linear Accelerators in the service area. *Erlanger* also has a *CyberKnife*.

Project Cost

The project cost (per *HSDA* rules) is $ 10,532,560.

Funding

The funding for this project will be provided from operations of *Erlanger Health System*.

Financial Feasibility

The *Projected Data Chart* shows a positive financial result in both years 1 and 2 for the project.

Staffing

Staffing for the satellite cancer center will be 1 Administrative Assistant, 1 Dosimetrist, 1 Simulator Technologist, 2 Radiation Technologists, 1 Physicist and 1 Staff Nurse – RN.

II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.

A. Describe the construction, modification and / or renovation to the facility (exclusive of major medical equipment covered by T.C.A. section 68-11-1601 *et seq.*) including square footage, major operational areas, room configuration, etc. Applicants with hospital projects (construction cost in excess of $ 5 million) and other facility projects (construction cost in excess of $ 2 million) should complete the Square Footage And Cost Per Square Foot Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Part B.-E. Please also discuss and justify the cost per square foot for this project.

If the project involves none of the above describe the development of the proposal.

Response

The Linear Accelerator will be located in space which is to be newly constructed. Support areas will be located on the ground floor of *Erlanger East Hospital* in renovated space which is contiguous to the Linear Accelerator. The space for the replacement Linear Accelerator requires a new radiation vault and shielding to be installed. The total area for the radiation therapy service will encompass 7,396 SF including both new construction and renovated space. No nursing units or other departments will be affected by this project.

B. Identify the number of beds increased, decreased, converted, relocated, designated, and/or distributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services.

Response

No acute care beds will be affected by this project. *Erlanger East Hospital* also holds a CON for the transfer of up to 70 additional beds from *Erlanger Medical Center* (no. CN0405-047AE). The expansion of *Erlanger East Hospital* has occurred in phases and and is in process.

Square Footage & Cost Per Square Foot Chart

The *Square Footage & Cost Per Square Foot Chart* is attached to this CON application.

C. As the applicant, describe your need to provide the following healthcare services (if applicable to this application):

1. Adult Psychiatric Services N/A
2. Alcohol and Drug Treatment for Adolescents (exceeding 28 days) N/A

3.	Birthing Center	N/A
4.	Burn Units	N/A
5.	Cardiac Catheterization Services	N/A
6.	Child and Adolescent Psychiatric Services	N/A
7.	Extracorporeal Lithotripsy	N/A
8.	Home Health Services	N/A
9.	Hospice Services	N/A
10.	Residential Hospice	N/A
11.	ICF/MR Services	N/A
12.	Long-Term Care Services	N/A
13.	Magnetic Resonance Imaging (MRI)	N/A
14.	Mental Health Residential Treatment	N/A
15.	Neonatal Intensive Care Unit	N/A
16.	Non-Residential Methadone Treatment Centers	N/A
17.	Open Heart Surgery	N/A
18.	Positron Emission Tomography	N/A
19.	Radiation Therapy/Linear Accelerator ** *See Below.*	
20.	Rehabilitation Services	N/A
21.	Swing Beds	N/A

Response

Erlanger Medical Center has a need to replace a seventeen (17) year old Linear Accelerator and relocate it to *Erlanger East Hospital* to foster patient access. The relocation is justified because an analysis of the patient origin for the Radiation Oncology service at *Erlanger Medical Center* shows that of the 482 patients which we served in 2013, 349 patients (i.e.-72.4%) originated from 10 counties in Southeast Tennessee as well as some counties in Northeast Alabama, Northwest Georgia and Southwest North Carolina. The analysis shows that 217 patients originated from points East of Chattanooga and the remaining 265 patients originated from points West of Chattanooga. The relocation of the Linear Accelerator to *Erlanger East Hospital* will provide better access to this service for those patients.

D. Describe the need to change location or replace an existing facility.

Response

An analysis of the patient origin for the Radiation Oncology service at *Erlanger Medical Center* shows that of the 482 patients which we served in 2013, 349 patients

(i.e.-72.4%) originated from 10 counties in Southeast Tennessee as well as some counties in Northeast Alabama, Northwest Georgia and Southwest North Carolina. The analysis shows that 217 patients originated from points East of Chattanooga and the remaining 265 patients originated from points West of Chattanooga.

The *Erlanger East Hospital* campus is approximately 9.9 miles (i.e.-a 23 minute drive time) from *Erlanger Medical Center*. As such, a need currently exists to place a Linear Accelerator at *Erlanger East Hospital* so the patients in the Eastern portion of the service area will have better access to this treatment modality.

E. Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of $ 2.0 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:

1. For fixed site major medical equipment (not replacing existing equipment).

   a. Describe the new equipment, including:

      1. Total Cost (as defined by Agency Rule).
      2. Expected useful life.
      3. List of clinical applications to be provided.
      4. Documentation of FDA approval.

Response

The unit to be acquired is a Varian *TruBeam* with an estimated useful life of 7 years at a cost of $ 3,065,941. A copy of the vendor quote and FDA letter approving the unit for commercial use are attached to this CON application.

   b. Provide current and proposed schedules of operations.

Response

The schedule of operation for the replacement Linear Accelerator will be 8:00 am - 5:00 pm, Monday - Friday.

2. For mobile major medical equipment:

   a. List all sites that will be served.
   b. Provide current and proposed schedules of operations.
   c. Provide the lease or contract cost.
   d. Provide the fair market value of the equipment.
   e. List the owner for the equipment.

Response

*** Not Applicable. ***

3. Indicate applicant's legal interest in equipment (i.e.-purchase, lease, etc.). In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.

Response

Applicant will purchase the Varian *TruBeam* unit. A copy of the quote from Varian is attached to this CON application.

III. (A) Attach a copy of the plot plan of the site on an 8 ½" x 11" sheet of white paper which **must include**:

1. Size of site (**in acres**).

   -- The *Erlanger East Hospital* campus is located on approximately 26.8 acres. A copy of the plot plan is attached

to this CON application.

2. Location of structure on the site.

-- Please see the location of the replacement *Linear Accelerator* on the *Erlanger East Hospital* campus on the schematic drawing attached to this CON application.

3. Location of the proposed construction.

-- 1755 Gunbarrel Road
Chattanooga, TN 37416

4. Names of streets, roads or highways that cross or border the site.

-- Roads that border the site are *Gunbarrel Road* and *Crane Road*.

Please note that the drawings do not need to be drawn to scale. Plot plans are required for all projects.

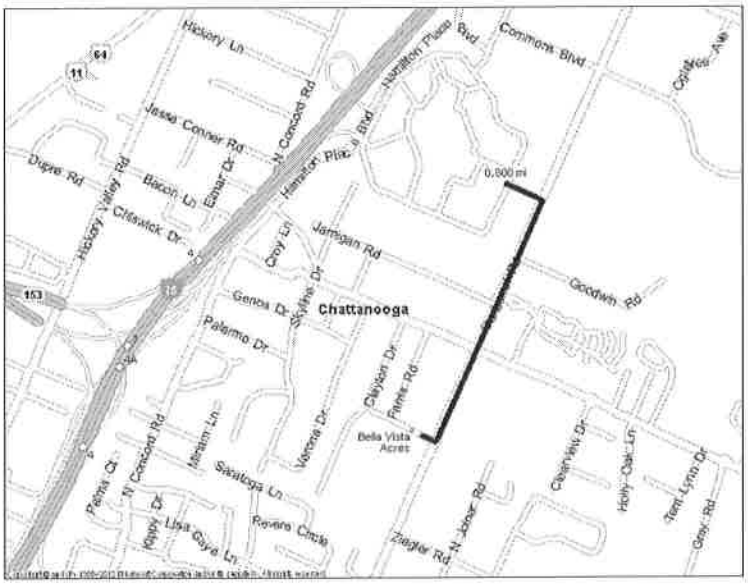
(B) 1. Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

Response

Erlanger East Hospital is easily accessible to patients in Chattanooga and Hamilton County as well as the surrounding service area; from both primary and secondary roads. Additionally, the hospital can be easily accessed via public transportation. Proximal state and interstate highways provide easy access from Tennessee, Georgia, Alabama and North Carolina.

The distance from *Erlanger East Hospital* to *Hamilton Place Mall* is 8/10 of a mile, as evidenced by the map below. *Hamilton Place Mall*, a regional shopping center in Chattanooga, is the largest mall in the *State of Tennessee*. Because of this, public transportation is

easily accessible to Gunbarrel Road. Further, Interstate 75 is a major highway and is also within 8/10 of a mile.



IV. Attach a floor plan drawing which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc., on an 8 ½" x 11" sheet of white paper.

NOTE: ***DO NOT SUBMIT BLUEPRINTS***. Simple line drawings should be submitted and need not be drawn to scale.

Response

A copy of the floor plan is attached to this CON application.

V. For a Home Health Agency or Hospice, identify:

A. Existing service area by County.
B. Proposed service area by County.
C. A parent or primary service provider.
D. Existing branches.
E. Proposed branches.

Response

*** Not applicable. ***

Section C

GENERAL CRITERIA FOR CERTIFICATE OF NEED

Section C: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with Tennessee Code Annotated § 68-11-1609(b), "no Certificate of Need shall be granted unless the action proposed is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, and will contribute to the orderly development of health care." The three (3) criteria are further defined in Agency Rule 0720-4-.01. Further standards for guidance are provided in the state health plan (Guidelines For Growth), developed pursuant to Tennessee Code Annotated § 68-11-1625.

The following questions are listed according to the three (3) criteria: (1) Need, (2) Economic Feasibility, and (3) Contribution to the Orderly Development of Healthcare. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. *Please type each question and its response on 8 ½" x 11" white paper.* All exhibits and tables must be attached to the end of the application in correct sequence identifying the questions to which they refer. If a question does not apply to your project, indicate "Not Applicable (NA)".

PRINCIPLES OF TENNESSEE STATE HEALTH PLAN

[From 2011 Update, Pages 5-13]

1. *Healthy Lives*: The purpose of the State Health Plan is to improve the health of Tennesseans.

Response

Erlanger East Hospital ("*EEH*") is a satellite facility of *Erlanger Medical Center* ("*EMC*"), the safety net hospital for southeast Tennessee; though the hospital also serves northwest Georgia, northeast Alabama and southwest North Carolina due to it's location and the scope and range of services provided. It is often the only health system which low-income people, minorities, and other underserved populations can turn to for treatment. In order to assure the continued viability of its mission as a safety net hospital, *Erlanger* continually strives to provide services

that are the most medically appropriate, least intensive, and provided in the most cost-effective health care setting.

As the safety net provider, a large underserved population depends on *Erlanger* to provide needed services. While it is difficult to predict the outcome of health reform initiatives, many Tennesseans previously without health insurance can be expected to elect services which may have otherwise been postponed. Growth in the elderly and general population can be expected to increase demand for oncology services. Surveys of the Chattanooga region have shown that some 70% or more of area physicians and surgeons received their training at *Erlanger* via its affiliation with the UT College of Medicine which is located on campus. Based on current residency and fellowship programs, it can be expected that this trend will continue with many physicians opting to remain in Tennessee, at *Erlanger*.

The proposed modifications to *EEH's* physical plant and Oncology services are consistent with the *State Health Plan* because they seek to ensure patient access to appropriate facilities for Tennesseans in particular. *Erlanger* is the safety net for underserved residents in southeast Tennessee, including the only Children's Hospital within 100 miles of Chattanooga, Tennessee. Providing enhanced access for those in need of chronic care regardless of the patients' ability to pay has been demonstrated to improve the health status of those served.

The Chattanooga region, particularly Enterprise South Industrial Park, located less than 10 minutes away from *Erlanger East Hospital* has proven attractive to business development due to the relatively low cost of labor, cost of living and absence of personal income tax. Also, Chattanooga has been recognized as one of the tenth lowest cost markets from a health care insurance perspective since the roll out of the *Affordable Care Act* and the insurance exchange marketplace.

Volkswagen recently announced that it will invest $600 million in its Chattanooga manufacturing plant, adding a second automobile line to its production facility. In doing so, Volkswagen expects to employ an additional 2,000 employees, with the goal to have the second production line up and running in 2016. *Erlanger* has a primary care site

on the Volkswagen campus that serves employees and their families as well as others in the community. Volkswagen also has preferred employer status with *Erlanger*, whereby employees receive a discount when services are provided. With this expansion, parts, paint and other suppliers involved with the manufacturing are also expected to add employees. Volkswagen has released an additional 300 acres of property to house as many as twenty additional supply companies, increasing site employment to 7,500.

Plastic Omnium Auto Exteriors, LLC, a tier one supplier for Volkswagen, also recently announced that it will make a $65 million investment in Chattanooga, creating nearly 200 new positions at opening, with a target of 300 positions within three years. The company has purchased 27 acres in the industrial park where VW is located.

NV Michel Van De Wielke, one of the largest manufacturers of textile machines in the world indicated it would relocate to Chattanooga from Dalton, GA, to be closer to marketplace competitors and challenge rivals for market share. The plant will employ 35. Chattanooga is the birthplace of tufting with a long tradition in the flooring industry and many manufacturers are still in the region. The company will also relocate its headquarters from Charlotte, NC, to Chattanooga.

On the health front, area hospitals have also invested in plant improvements and technology. *Memorial Hospital* has just completed a renovation and expansion project of approximately $ 300 million. *Parkridge Health System*, an affiliate of *HCA Healthcare*, acquired another hospital in the region (*Grandview Hospital*) and recently completed relocation/expansion of its psychiatric facility with approximately $ 8 million invested. *Skyridge Medical Center*, in Bradley County is owned by *Community Health System*, consolidated two facilities and invested approximately $ 45 million in upgrades.

A large portion of the employees and families of the companies located in *Enterprise South Industrial Park* will be close to, and served by, *Erlanger East Hospital*.

Investment in the region is expected to continue across all industries for the foreseeable future. The Chattanooga Area Chamber of Commerce expects to meet its goal of adding more than 15,000 jobs by the end of 2015.

2. ***Access To Care***: **Every citizen should have reasonable access to care.**

Response

Erlanger is designated by *TennCare* as the safety net hospital, for underserved residents in southeast Tennessee. *Erlanger's* TennCare / Medicaid utilization and uncompensated care cost for the last three (3) fiscal years are presented below.

	TennCare / Medicaid Utilization %	Uncompensated Care Cost
FY 2012	29.1 %	$ 85.5 M
FY 2013	28.1 %	$ 85.1 M
FY 2014	29.4 %	$ 86.2 M

Notes

(3) TennCare / Medicaid utilization percentages are based on gross I/P charges derived from applicant's internal records.

(4) Uncompensated care cost estimates were derived from applicant's internal records as reported in the notes to the annual audited financial statements.

(5) Erlanger's fiscal year begins on July 1 of each year and ends on June 30 of the following year. For example, FY 2014 began on July 1, 2013, and ended on June 30, 2014.

Under the federal Medicare program, an urban hospital with more than 100 beds needs to serve only 15% of low-income patients in order to qualify as a "disproportionate share hospital". *Erlanger* clearly shoulders significantly more than its proportionate share of the care rendered to this patient population. The State Health Plan favors initiatives, like the project proposed herein, which help to foster access to the underserved.

Erlanger Medical Center has the only Level I trauma center, the only life-flight helicopter service, and the only children's hospital in the region. *Erlanger* is also the only provider in its service area of Level III neonatal care and perinatal services. *Erlanger Health System* is committed to maintaining its mission of providing healthcare services to all citizen's regardless of ability to pay. Such services include inpatient care, obstetrics, surgical services and emergency care.

Erlanger Health System also operates several other hospitals in Southeast Tennessee, of which *Erlanger East Hospital* is a component facility, as well as a network of physician offices and *Federally Qualified Health Centers* (hereinafter "FQHC") with three (3) locations, so that patients may easily access needed services while also facilitating easy access to the broader healthcare delivery system.

3. ***Economic Efficiencies***: **The State's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies, and the continued development of the state's health care system.**

Response

Historically, *EMC* has been very cost efficient within the context of the overall healthcare delivery system. The inpatient net revenue per admission for local competitors in Chattanooga, Tennessee, is as follows.

Hospital	Avg. Net Revenue Per I/P Admission
Erlanger Medical Center	$ 10,579
Memorial Hospital	$ 10,968
Parkridge Medical Center	$ 15,503
Erlanger East Hospital	$ 5,271
Memorial Hospital - Hixson	$ 6,556
Parkridge East Hospital	$ 5,525

Notes
(1) Information derived from Tennessee Joint Annual Reports for CY 2013.

To evidence this, with the initiation of the *Health Care Exchanges* on January 1, 2014; *Blue Network E* enrolled over 10,000 uninsured and *Erlanger* is the only provider in this network. Further, an additional 7,000 people were enrolled in *Blue Network S* and *Erlanger* is one of only two providers in this network as well. It is anticipated that these additional networks will generate sufficient volume to keep *Erlanger* cost efficient.

While offering more complex services and capabilities, *Erlanger* has net revenue per inpatient admission lower than

other large area hospitals. *Erlanger Medical Center* is economically efficient, while incurring higher costs by offering more complex services including the only Level I trauma center, the only life-flight helicopter service, the only children's hospital, and the only Level III neonatal care in southeast Tennessee.

4. ***Quality Of Care*: Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care providers.**

Response

Erlanger Medical Center, which is accredited by *The Joint Commission*, participates in periodic submission of quality related data to the *Centers For Medicare & Medicaid Services* through its *Hospital Compare* program. *Erlanger East Hospital* is also accredited by *The Joint Commission*. Further, *EMC* and *EEH* has an internal program of *Medical Quality Improvement Committees* which continually monitor healthcare services to assure patients of the quality of care provided. The quality improvement program includes *Erlanger East Hospital*. Patients served at *Erlanger East Hospital* will have to the same high quality care available at *Erlanger Medical Center*.

5. ***Health Care Workforce*: The state should support the development, recruitment, and retention of a sufficient and quality health care workforce.**

Response

Erlanger Health System has established strong long term relationships with the region's colleges, universities and clinical programs. *Erlanger* provides clinical sites for internships and rotation programs in nursing, radiology, respiratory care and pharmacy, to name a few. A number of regional universities offer Bachelor degree programs in nursing and physical therapy. Locally, two year degrees are available in many clinical allied health areas with additional programs offering advanced technical training in Radiological Imaging such as Nuclear Medicine and Diagnostic Ultrasonography.

The *University of Tennessee – College of Medicine* is co-located at Erlanger and includes training of senior medical students on clinical rotation as well as graduate medical education for training of residents and advanced fellowships in various medical specialties, including surgical specialties, as outlined below.

Residency Programs
- Emergency Medicine
- Family Medicine
- Internal Medicine
- Obstetrics & Gynecology
- Orthopedic Surgery
- Pediatrics
- Plastic Surgery
- Surgery
- Urology (beginning 2015)
- Transitional Year

Fellowship Programs
- Geriatrics
- Hospice & Palliative Care
- Orthopedic Surgery – Traumatology
- Surgical Critical Care
- Vascular Surgery
- Colon & Rectal Surgery
- Emergency Medicine
- Minimally Invasive Gynecologic Surgery
- Neuro-Interventional Surgery
- Ultrasound
- Cardiology (under development)
- Gastroenterology (under development)

Erlanger Health System participates with numerous schools that provide advanced training in the areas of nursing and allied health.

[End Of Responses To Principles Of Tennessee State Health Plan – 2011 Update, pages 5 – 13]

GENERAL QUESTIONS CONCERNING NEED, ECONOMIC FEASIBILITY & CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE

(I.) *NEED*

1. Describe the relationship of this proposal toward the implementation of the State Health Plan, Teneessee's Health: Guidelines For Growth.

(a) Please provide a response to each criterion and standard in Certificate Of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.

Response

This project is consistent with the *Principles Of The Tennessee State Health Plan* as stated in the 2011 update ("Principles"). *Applicant* has addressed each of the Principles.

(b) Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards (4)(a-c).

Response

** Not applicable. **

2. Describe the relationship of this proposal to the applicant facility's long range development plans, if any.

Response

Erlanger Health System currently holds a CON for expansion of the *Erlanger East Hospital* campus (No. CN0405-047AE); a CON to modernize and upgrade the surgical facilities at *Erlanger Medical Center* (No. CN1207-034A); and a CON for a new PET/CT unit at *Erlanger Medical Center* (No. CN1307-027A).

As part of the long range development plan for *Erlanger East Hospital*, the HSDA approved an extension of the CON (CN0405-047AE) on September 24, 2014, for the

transfer of up to 70 additional beds from *Erlanger Medical Center*. The expansion of *Erlanger East Hospital* is in process.

The goal for *Erlanger Health System* is to provide a comprehensive system of care comprised of unduplicated services while also serving those who are currently under served and/or those who do not have the ability to pay for their services. The relocation of the Linear Accelerator to *Erlanger East Hospital* is part of our long term plan to make services more accessible.

3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. Please submit maps on 8 ½" x 11" sheets of white paper marked only with ink detectable by a standard photocopier (i.e-no highlighters, pencils, etc.).

Response

The service area for the relocation of the Linear Accelerator unit is as follows,

Primary Service Area

Hamilton County, Tennessee

Secondary Service Area

Bradley County, Tennessee
Marion County, Tennessee
Grundy County, Tennessee
Sequatchie County, Tennessee
Bledsoe County, Tennessee
McMinn County, Tennessee
Rhea County, Tennessee
Meigs County, Tennessee
Polk County, Tennessee

The service area is reasonable considering that *Erlanger* currently serves as the largest primary and tertiary based provider in Southeast Tennessee. *Erlanger Health System* makes available to the outlying communities services that otherwise would not be available. It should

be noted that *Erlanger* attracts patients from a much wider geography including Alabama, Georgia and North Carolina.

The service area is reasonable because 48.8 % of the inpatient volume comes from Hamilton County, Tennessee, and 23.3 % of the inpatient volume comes from the 9 county secondary service area, as illustrated below. The precise origin of patients within the service area is detailed as follows for both *Erlanger Health System* as well as the regional service area.

	EHS -- Radiation Oncology Service Area In-Patient Origin & Market Share -- CY 2013				
	Total Erlanger	Total All Other	Total Svc. Area	% EHS Pt. Origin	% Svc. Area Pt. Origin
Hamilton County, TN	13,978	22,980	36,958	48.8%	59.1%
Bradley County, TN	1,873	2,922	4,795	6.5%	7.6%
Marion County, TN	821	1,711	2,532	2.9%	4.0%
Grundy County, TN	263	1,975	2,238	0.9%	3.6%
Sequatchie County, TN	1,043	1,639	2,682	3.6%	4.3%
Bledsoe County, TN	520	631	1,151	1.8%	1.8%
Rhea County, TN	1,148	2,830	3,978	4.0%	6.4%
Meigs County, TN	245	1,257	1,502	0.9%	2.4%
McMinn County, TN	398	4,826	5,224	1.4%	8.4%
Polk County, TN	385	1,107	1,492	1.3%	2.4%
Total - Region	20,674	41,878	62,552	72.1%	100.0%
Outside Service Area	7,994			27.9%	
Total - EHS	28,668			100.0%	

Notes

(1) Facility volume information is derived from the THA Health Information Network market share database for calendar year 2013, which does not include *Hutcheson Medical Center* in Georgia and *Skyridge Medical Center* in Cleveland, Tennessee.

The service area for the radiation oncology service at *Erlanger East Hospital* will serve patients from the entire service area, however, it is expected that the patients most likely to receive service at *Erlanger East Hospital* will originate from the area to the East of Chattanooga, Tennessee.

	EHS -- Radiation Oncology Service Patient Origin - 2013			
	Total Erlanger	% EHS Pt. Origin	East Of Chattanooga	% Of Total
Hamilton County, TN	231	47.9%	97	44.7%
Bradley County, TN	28	5.8%	28	12.9%
Marion County, TN	18	3.7%		0.0%
Grundy County, TN	4	0.8%		0.0%
Sequatchie County, TN	18	3.7%		0.0%
Bledsoe County, TN	7	1.5%		0.0%
Rhea County, TN	26	5.4%		0.0%
Meigs County, TN	5	1.0%		0.0%
McMinn County, TN	5	1.0%	5	2.3%
Polk County, TN	7	1.5%	7	3.2%
Other	133	27.7%	80	36.9%
Total - EHS	482	100.0%	217	100.0%

A map showing the primary and secondary service areas is attached to this CON application.

4. A. Describe the demographics of the population to be served by this proposal.

Response

The service area of the applicant is defined above. Following is a discussion of certain population trends.

	2014 Est. Pop.	2019 Est. Pop.	2013 Service Area Patient Origin
Hamilton County, TN	345,586	357,660	59.1 %
Bradley County, TN	102,186	106,429	7.6 %
Marion County, TN	28,373	28,562	4.0 %
Grundy County, TN	13,499	13,241	3.6 %
Sequatchie County, TN	14,973	16,104	4.3 %
Bledsoe County, TN	12,998	13,162	1.8 %
Rhea County, TN	32,773	34,049	6.4 %
Meigs County, TN	12,018	12,365	2.4 %
McMinn County, TN	53,187	54,412	8.4 %
Polk County, TN	17,080	17,427	2.4 %
	632,673	653,411	100.0 %

Notes
(1) 2014 and 2019 population figures based on original data from *Claritas* and projected forward by EHS.
(2) 2013 service area patient origin figures were derived from the THA Health Information Network.

The proposed relocation of the Linear Accelerator fills an essential gap in diagnostic and treatment capability for Oncology patients. There is not currently a Linear Accelerator located in East Hamilton County. Memorial Hospital - Ooltewah holds a CON to relocate a unit (no. CN1202-004) but that has not yet been implemented. Placement of a Linear Accelerator in this geography will serve to provide better access to needed care for those who may not receive service otherwise.

The elderly and women are prime candidates for service. It is estimated that the population age 65 and over in the 10 county service area will increase from 117,435 in 2014 to 137,384 in 2019. This is an increase of 17.0%. Thus, the project envisioned by the instant application is intended to be of direct benefit to the senior population.

Women of child bearing age (i.e.-age 15-44) will comprise 37.6 % of the population. Further, 18.8 % of the population will be minority (i.e.-Black, Hispanic, Asian, etc.). *Erlanger* is committed to serving the population within the service area, as well as minorities and other underserved populations. For this reason, *Erlanger* will continue to offer services which may not otherwise be available.

Growth in the service area could exceed forecasts given the attractiveness of southeast Tennessee to large employers such as VW, Amazon and Wacker Chemical, which have already located in the area.

Further, a summary of other demographic information appears below which outlines TennCare enrollment and population below the Federal poverty level by county within the service area compared to the State of Tennessee.

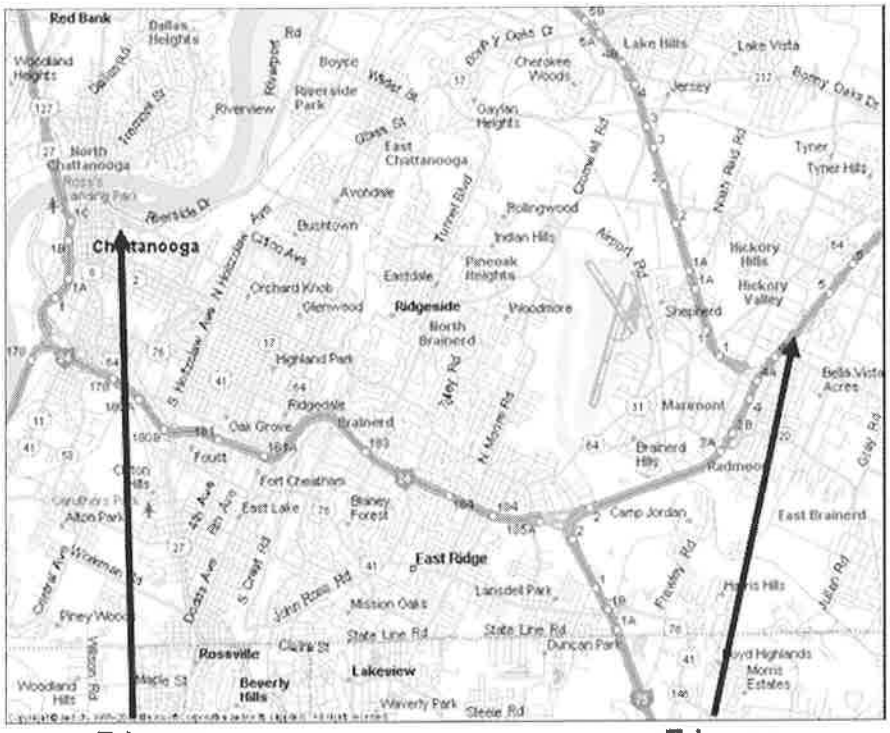
	Bledsoe	Bradley	Grundy	Hamilton	Marion		
Total Pop. - 2014	12,641	103,308	13,355	347,451	28,556		
Total Pop. - 2018	12,599	107,481	13,293	353,577	28,992		
Total Pop. - % Change	-0.3%	4.0%	-0.5%	1.8%	1.5%		
Median Age	41	38	38	38	42		
Median Household Income	$31,888	$40,614	$26,644	$46,544	$39,817		
TennCare Enrollees	2,890	18,850	4,443	57,298	6,198		
TennCare Enrollees As % Of Total Pop.	22.9%	18.2%	33.3%	16.5%	21.7%		
Persons Below Poverty Level	2,920	18,389	3,873	56,287	5,483		
Persons Below Poverty Level As % Of Total Pop.	23.1%	17.8%	29.0%	16.2%	19.2%		
	McMinn	Meigs	Polk	Rhea	Sequatchie	Service Area	State Of Tennessee
Total Pop. - 2014	52,233	12,205	16,604	33,392	15,019	634,764	6,588,698
Total Pop. - 2018	54,203	12,643	16,588	34,790	16,004	650,170	6,833,509
Total Pop. - % Change	3.8%	3.6%	-0.1%	4.2%	6.6%	2.4%	3.7%
Median Age	39	38	41	38	37	39	38
Median Household Income	$38,944	$33,492	$37,235	$36,470	$33,181	$36,483	$44,140
TennCare Enrollees	10,660	2,700	3,529	8,090	3,574	118,232	1,241,028
TennCare Enrollees As % Of Total Pop.	20.4%	22.1%	21.3%	24.2%	23.8%	18.6%	18.8%
Persons Below Poverty Level	9,663	2,844	2,956	7,480	2,899	131,142	1,139,845
Persons Below Poverty Level As % Of Total Pop.	18.5%	23.3%	17.8%	22.4%	19.3%	20.7%	17.3%

B. The special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

Response

As a member facility of *Erlanger Health System*, *Erlanger East Hospital* is a component of the safety net for southeast Tennessee. Often the only hospital which low-income people, minorities, and other underserved populations can turn to for treatment is *Erlanger*. In order to assure the continued viability of its mission as the safety net provider, *Erlanger Health System* continually strives to provide services that are medically appropriate, least intensive (restrictive), and provided in the most cost-effective health care setting.

Erlanger East Hospital is accessible to patients in Chattanooga and Hamilton County from both primary and secondary roads. Additionally, the hospital can be easily accessed via public transportation. Further, proximal state and interstate highways provide easy access from Tennessee, Georgia and Alabama.



Erlanger has also been responsive to the needs of employees and families of new businesses like VW, Amazon and Wacker Chemical which have generated thousands of new jobs in the area. The proposed project will help ensure that the service area population have access to services and facilities consistent with their needs and evolving industry standards.

It is estimated that the population age 65 and over in the 10 county service area will increase from 117,435 in 2014 to 137,384 in 2019. This is an increase of 17.0%. Thus, the project envisioned by the instant application is intended to be of direct benefit to the senior population.

Women of child bearing age (i.e.-age 15-44) will comprise 37.6 % of the population. Further, 18.8 % of the population will be minority (i.e.-Black, Hispanic, Asian, etc.). *Erlanger* is committed to serving the population within the service area, as well as minorities and other under served populations. For this reason, *Erlanger* will continue to offer services which may not otherwise be available.

5. Describe the existing or certified services, including approved but unimplemented CON's, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utlilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.

Response

Memorial Hospital - Ooltewah has an approved but unimplemented CON to relocate a Linear Accelerator from Memorial Hospital (No. CN1202-004A).

Utilization data for the three (3) acute care hospitals in Chattanooga, Tennessee, is presented below.

Primary Acute Cate Hospitals -- Chattanooga, Tennessee
General Utilization Trends

	2011			2012			2013		
	Erlanger Med Ctr	Memorial Hospital	Parkridge Med Ctr	Erlanger Med Ctr	Memorial Hospital	Parkridge Med Ctr	Erlanger Med Ctr	Memorial Hospital	Parkridge Med Ctr
General Acute Care - Admissions	26,343	20,963	7,679	27,238	21,395	8,270	27,579	20,580	8,145
Inpatient Pt. Days - Acute Care	131,630	99,911	39,539	133,260	99,485	40,134	130,947	95,924	39,074
General Acute Care - ALOS	5.00	4.77	5.15	4.89	4.65	4.85	4.75	4.66	4.80
ED Visits	89,808	47,946	30,990	91,254	48,322	35,657	92,413	46,213	33,926
Total Surgical Patients	31,266	19,988	9,918	31,492	19,808	10,684	35,490	19,205	13,264
OB Deliveries	2,639	0	0	2,679	0	0	2,692	0	0

NOTES
(1) This information is derived from *Tennessee Joint Annual Reports*.

Utilization data for radiation oncology service providers located in the service area is presented below.

		EHS – Analysis Of Linear Accelerator Utilization In Southeast Tennessee				
County	Type	Facility Name	Year	No. Of Lin Ac's	Total Treatments	Avg. Proc's Per Unit
Hamilton	HOSP	Erlanger Medical Center	2011	2.0	8,837	4,419
Hamilton	HOSP	Memorial Hospital	2011	3.0	19,187	6,396
Hamilton	HOSP	Parkridge Medical Center	2011	2.0	3,672	1,836
Bradley	RAD	Cleveland Regional Cancer Center	2011	1.0	5,327	5,327
McMinn	ASTC	Athens Regional Cancer Center	2011	1.0	3,035	3,035
		Total >>>>>		9.0	40,058	4,451
Hamilton	HOSP	Erlanger Medical Center	2012	2.0	9,516	4,758
Hamilton	HOSP	Memorial Hospital	2012	3.0	14,914	4,971
Hamilton	HOSP	Parkridge Medical Center	2012	2.0	4,120	2,060
Bradley	RAD	Cleveland Regional Cancer Center	2012	1.0	5,018	5,018
McMinn	ASTC	Athens Regional Cancer Center	2012	1.0	2,717	2,717
		Total >>>>>		9.0	36,285	4,032
Hamilton	HOSP	Erlanger Medical Center	2013	2.0	9,519	4,760
Hamilton	HOSP	Memorial Hospital	2013	3.0	16,734	5,578
Hamilton	HOSP	Parkridge Medical Center	2013	2.0	3,693	1,847
Bradley	RAD	Cleveland Regional Cancer Center	2013	1.0	5,473	5,473
McMinn	ASTC	Athens Regional Cancer Center	2013	1.0	2,732	2,732
		Total >>>>>		9.0	38,151	4,239

NOTES
(1) This information is derived from the *Tennessee Health Services Agency - Major Medical Equipment Registry.*

The proposed project does not add a new Linear Accelrator to the service area. *Erlanger* simply seeks to relocate an existing unit. As such, the need criterion pertaining to Megavoltage Radiation units are not applicable. The reason for HSDA review is due to the new site for the Linear Accelerator. Please see other CON applications in Tennessee where other satellite cancer centers were reviewed with relocation of a Linear Accelerator.

Memorial Hospital - Ooltewah CN1202-004
Sumner Regional Medical Center CN1408-036

A satellite cancer center at *Erlanger East Hospital* complements the radiation oncology program at *Erlanger Medical Center* as it will deploy one of *Erlanger's* core competencies as well as foster patient access.

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization

for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology must include detailed calculations or documentation from referral sources, and identification of all assumptions.

Response

Utilization data for *Erlanger East Hospital* is presented below.

Erlanger East hospital
General Utilization Trends

	2012	2013	2014	2015	2016	2017	2018	2019
				========== Projected Utilization ==========				
General Acute Care - Admissions	2,840	2,709	2,640	2,770	2,791	2,811	2,832	2,853
Inpatient Pt. Days - Acute Care	6,406	6,161	5,690	6,185	6,231	6,277	6,323	6,370
General Acute Care - ALOS	2.26	2.27	2.16	2.23	2.23	2.23	2.23	2.23
ED Visits	0	6,100	22,008	24,748	25,367	26,001	26,651	27,317
Total Surgical Patients	3,182	3,183	3,262	3,188	3,212	3,236	3,260	3,284
OB Deliveries	2,619	2,553	2,508	2,592	2,611	2,631	2,650	2,669

NOTES
(1) This information is derived from the internal records of *Erlanger Health System*.
(2) The trends outlined are based on historical trends. Upon completion of the expansion project at *Erlanger East Hospital* (no. CN0407-047), utilization will be higher.

The projected utilization is based upon a use rate average calculation for the three (3) year period of 2012, 2013 and 2014. Expected growth could exceed this forecast based on hospital referral patterns, health reform initiatives and/or advances in clinical care. Further, the expansion project for *Erlanger East Hospital* will result in additional growth when that project is completed.

(II.) ***ECONOMIC FEASIBILITY***

1. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.

- **All projects should have a project cost of at least $ 3,000 on Line F (minimum CON filing fee). CON**

filing fee should be calculated from Line D. (See application instructions for filing fee.)

- **The cost of any lease should be based on fair market value or the total amount of lease payments over the initial term of the lease, whichever is greater.**

- **The cost of fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.**

- **For projects that include new construction, modification, and/or renovation; documentation must be provided from a contractor and/or architect that support the estimated construction costs.**

Response

The *Project Cost Chart* has been completed on the next page.

PROJECT COST CHART

A.	Construction And Equipment Acquired By Purchase.		
	1.	Architecural And Engineering Fees	181,542
	2.	Legal, Administrative, Consultant Fees (Excluding CON Filing Fees)	0
	3.	Acquisition Of Site	0
	4.	Preparation Of Site	0
	5.	Construction Costs	3,265,900
	6.	Contingency Fund	525,822
	7.	Fixed Equipment (Not Included In Construction Contract)	5,351,093
	8.	Moveable Equipment (List all equipment over $ 50,000)	0
	9.	Other (Specify) Technical, Signage, Environmental, etc.	1,184,560
B.	Acquisition By Gift, Donation, Or Lease.		
	1.	Facility (inclusive of building and land)	0
	2.	Building Only	0
	3.	Land Only	0
	4.	Equipment (Specify) _____	0
	5.	Other (Specify) _____	0
C.	Financing Costs And Fees.		
	1.	Interim Financing	0
	2.	Underwriting Costs	0
	3.	Reserve For One Year's Debt Service	0
	4.	Other (Specify) _____	0
D.	Estimated Project Cost (A + B + C)		10,508,917
E.	CON Filing Fee		23,643
F.	Total Estimated Project Cost (D + E)		10,532,560

2. Identify the funding sources for this project.

a. Please check the applicable item(s) below and briefly summarize how the project will be financed. (Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.)

___ A. Commercial Loan -- Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions.

___ B. Tax - Exempt Bonds -- Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance.

___ C. General obligation bonds -- Copy of resolution from issuing authority or minutes from the appropriate meeting.

___ D. Grants -- Notification of intent form for grant application or notice of grant award.

___ E. Cash Reserves - Appropriate documentation from Chief Financial Officer.

_X_ F. Other - Identify and document funding from all other sources.

Response

The project will be funded by continuing operations of *Erlanger Health System*. The CFO letter is attached to this CON application.

3. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services And Development Agency.

Response

An analysis of the cost per square foot with similar projects in Tennessee is below.

Facility	CON Number	Cost Per Square Foot
Sumner Regional Medical Center	CN1408-036	$ 330.50
Vanderbilt-Maury Radiation Oncology	CN1012-053	$ 422.58

The cost estimate for the Linear Accelerator unit has been certified by Mr. Chuck Arnold, Architect / Planner for Erlanger via letter dated November 25, 2014 (copy attached).

The cost per SF for the Linear Accelerator project at *Erlanger East Hospital* is $ 441.57. This cost is reasonable when compared to the projects above, particularly when considered in relation to time and location.

4. Complete Historical and Projected Data Charts on the following two pages - *Do not modify the Charts provided or submit Chart substitutions* ! Historical Data Chart represents revenue and expense information for the last *three* (3) years for which complete information is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the *Proposal Only* (i.e.-if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).

Response

The *Historical Data Chart* and *Projected Data Chart* have been completed. The detail for *Other Expenses* on the *Historical Data Chart* is attached to this CON application.

HISTORICAL DATA CHART

Give information for the last *three (3)* years for which complete data are available for the facility or agency. The fiscal year begins in July (Month).

		Year – 2012	Year – 2013	Year – 2014
A.	Utilization Data	28,773	28,840	30,098
	(Specify Unit Of Measure) I/P Admits			
B.	Revenue From Services To Patients			
	1. Inpatient Services	971,094,413	951,407,744	1,011,698,242
	2. Outpatient Services	600,067,032	638,832,332	723,658,840
	3. Emergency Services	112,850,427	122,125,184	147,183,286
	4. Other Operating Revenue	37,187,604	33,499,831	36,036,026
	(Specify) Home Health, POB Rent, etc.			
	Gross Operating Revenue	1,721,199,476	1,745,865,091	1,918,576,394
C.	Deductions From Operating Revenue			
	1. Contractual Adjustments	980,425,997	997,920,752	1,105,607,716
	2. Provision For Charity Care	78,323,761	102,150,881	110,213,778
	3. Provision For Bad Debt	99,422,380	74,808,470	84,222,955
	Total Deductions	1,158,172,138	1,174,880,103	1,300,044,449
	NET OPERATING REVENUE	563,027,338	570,984,988	618,531,945
D.	Operating Expenses			
	1. Salaries And Wages	277,849,780	275,109,764	276,229,682
	2. Physician's Salaries And Wages	35,148,510	36,117,461	42,290,749
	3. Supplies	79,185,467	78,028,042	82,925,430
	4. Taxes	553,433	536,994	566,101
	5. Depreciation	26,569,378	27,373,556	26,732,222
	6. Rent	3,632,579	5,341,116	5,209,326
	7. Interest – Other Than Capital	0	0	0
	8. Management Fees:			
	a. Fees To Affiliates			
	b. Fees To Non-Affiliates			
	9. Other Expenses	149,478,971	156,440,656	166,565,645
	(Specify) Insurance, Purch. Svcs., etc.			
	Total Operating Expenses	572,418,118	578,947,589	600,519,155
E.	Other Revenue (Expenses) - Net			
	(Specify)			
	NET OPERATING INCOME (LOSS)	(9,390,780)	(7,962,601)	18,012,789
F.	Capital Expenditures			
	1. Retirement Of Principal	7,396,156	7,900,842	8,048,272
	2. Interest	9,652,060	8,971,728	8,258,717
	Total Capital Expenditures	17,048,216	16,872,570	16,306,989
	NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES	(26,438,996)	(24,835,171)	1,705,800

PROJECTED DATA CHART

Give information for the last *three (3)* years for which complete data are available for the facility or agency. The fiscal year begins in July (Month).

		Year 1	Year 2
A.	Utilization Data	4,950	5,500
	(Specify Unit Of Measure) Treatments		
B.	Revenue From Services To Patients		
	1. Inpatient Services		
	2. Outpatient Services	5,915,479	6,854,147
	3. Emergency Services		
	4. Other Operating Revenue		
	Gross Operating Revenue	5,915,479	6,854,147
C.	Deductions From Operating Revenue		
	1. Contractual Adjustments	4,063,627	4,788,956
	2. Provision For Charity Care	59,155	68,541
	3. Provision For Bad Debt	157,369	164,783
	Total Deductions	4,280,151	5,022,280
	NET OPERATING REVENUE	1,635,328	1,831,867
D.	Operating Expenses		
	1. Salaries And Wages	687,039	716,581
	2. Physician's Salaries And Wages		
	3. Supplies	23,916	27,314
	4. Taxes		
	5. Depreciation	725,826	725,826
	6. Rent		
	7. Interest - Other Than Capital		
	8. Management Fees:		
	a. Fees To Affiliates		
	b. Fees To Non-Affiliates		
	9. Other Expenses	30,500	357,246
	(Specify) Service Contracts		
	Total Operating Expenses	1,467,281	1,826,967
E.	Other Revenue (Expenses) – Net		
	(Specify)		
	NET OPERATING INCOME (LOSS)	168,047	4,900
F.	Capital Expenditures		
	1. Retirement Of Principal		
	2. Interest		
	Total Capital Expenditures		
	NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES	168,047	4,900

5. **Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.**

Response

Following are the average charge amounts per patient.

Average Gross Charge	$ 26,291
Average Deduction From Revenue	$ 19,023
Average Net Revenue	$ 7,268
Average Deduction From Revenue	
Medicare	$ 20,113
TennCare / Medicaid	$ 20,955
Average Net Revenue	
Medicare	$ 6,178
TennCare / Medicaid	$ 5,336

6. A. **Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges of projects that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.**

Response

Please see the list of average patient charges by service line for *Erlanger East Hospital* and similar hospitals in Hamilton County, Tennessee, for the calendar year 2013, attached to this CON application. Applicant does revise it's patient charge structure on a periodic basis (i.e.- usually annually) during the budget cycle each fiscal year. However, applicant does not anticipate any changes to existing patient charges specifically as a result of this project.

B. **Compare the proposed charges to those of other facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services And Development Agency. If applicable, compare the**

proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

Response

Please see the list of average patient charges by service line for *Erlanger East Hospital* and similar hospitals in Hamilton County, Tennessee, for the calendar year 2013, attached to this CON application. The average patient charge for each hospital is as follows.

Erlanger East	$ 9,085
Memorial Hospital - Hixson	$ 25,131
Parkridge East Hospital	$ 29,292

The average charge per Linear Accelerator treatment for radiation oncology by these providers at their main campus, for the most recent 3 year period, is below.

EHS -- Analysis Of Linear Accelerator Utilization In Southeast Tennessee

County	Type	Facility Name	Year	No. Of Lin Ac's	Total Treatments	Total Revenue	Avg. Charge Per Treatment
Hamilton	HOSP	Erlanger Medical Center	2011	2.0	8,837	9,526,460	1,078
Hamilton	HOSP	Memorial Hospital	2011	3.0	19,187	16,490,228	859
Hamilton	HOSP	Parkridge Medical Center	2011	2.0	3,672	4,543,551	1,237
Hamilton	HOSP	Erlanger Medical Center	2012	2.0	9,516	9,351,036	983
Hamilton	HOSP	Memorial Hospital	2012	3.0	14,914	18,121,116	1,215
Hamilton	HOSP	Parkridge Medical Center	2012	2.0	4,120	5,301,154	1,287
Hamilton	HOSP	Erlanger Medical Center	2013	2.0	9,519	7,999,663	840
Hamilton	HOSP	Memorial Hospital	2013	3.0	16,734	25,002,015	1,494
Hamilton	HOSP	Parkridge Medical Center	2013	2.0	3,693	5,385,393	1,458

NOTES

(1) This information is derived from the HSDA utilization report for Linear Accelerators dated August 11, 2014.

7. Discuss how projected utilization rates will be sufficient to maintain cost effectiveness.

Response

Historically, *Erlanger East Hospital* has been very cost efficient within the context of the overall healthcare delivery system. The inpatient net revenue per admission

for similar hospitals in Chattanooga, Tennessee, is as follows.

Hospital	Avg. Net Revenue Per I/P Admission
Erlanger East Hospital	$ 5,271
Memorial Hospital - Hixson	$ 6,556
Parkridge East Hospital	$ 5,525

Notes
(1) Information derived from Tennessee Joint Annual Reports for CY 2013.

8. Discuss how financial viability will be ensured within two (2) years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.

Response

As demonstrated by the *Projected Data Chart*, the project is financially viable in both years 1 and 2.

9. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.

Response

Erlanger East Hospital, as a member facility of *Erlanger Health System*, currently participates in the following Federal / State programs.

Federal	Medicare
State	BlueCare TennCare Select AmeriGroup Community Care

Anticipated revenue (gross charges) from Federal and State sources during year 1 of the project, is as follows.

Medicare	$ 2,550,229
TennCare	$ 736,148
	$ 3,286,377

10. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10.

Response

Copies of the following financial statements for *Erlanger Health System* are attached to this CON application.

Interim Balance Sheet & Income Statement	Sept. 30, 2014
Audited Financial Statements	June 30, 2014

11. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to,

A. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If developments of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.

Response

The proposed relocation of the Linear Accelerator to *Erlanger East Hospital* will fill a gap in oncology

treatment capability by providing improved convenience in East Hamilton County. In addition to patient convenience, placement of the unit at *Erlanger East Hospital* will provide better access to this modality of care for the population of East Hamilton County which *Erlanger Health System* serves.

The alternative to this project was to simply replace the unit on the campus of *Erlanger Medical Center* in downtown Chattanooga, Tennessee. However, since the average driving time from *Erlanger East Hospital* to *Erlanger Medical Center* is approximately 23 minutes, the best option when considering improved patient distribution and access is to relocate the Linear Accelerator to *Erlanger East Hospital* for patient convenience. As such, we believe this project is the best solution.

As *the* safety net hospital in Southeast Tennessee, it is vital that *Erlanger Health System* enhance and update its facilities to provide the best and most accessible oncology treatment services available for the communities we serve. As an academic medical center affiliated with the University of Tennessee College of Medicine, which is co-located on the *Erlanger Medical Center* campus, *EHS* also seeks to provide appropriate facilities so as to enhance the training and education of medical residents and fellows as well as other health professionals. Updating facilities also means planning for tomorrow with regard to radiation oncology services for the regional service area, ensuring that the needs of the uninsured and/or low income population are being met.

B. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.

Response

The proposed relocation of the Linear Accelerator to *Erlanger East Hospital* will fill a gap in oncology treatment capability simply by providing better convenience in East Hamilton County. In addition to patient convenience, placement of the unit at *Erlanger East*

Hospital will provide better access to this modality of care for the vulnerable population of East Hamilton County which *Erlanger Health System* serves.

The alternative to this project was to simply replace the unit on the campus of *Erlanger Medical Center* in downtown Chattanooga, Tennessee. However, since the average driving time from *Erlanger East Hospital* to *Erlanger Medical Center* is approximately 23 minutes, the best option when considering improved patient distribution and access is to relocate the Linear Accelerator to *Erlanger East Hospital* for patient convenience. As such, we believe this project is the best solution.

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(III.) *CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE*

1. List all health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.

Response

The most significant relationship between this proposal and the existing healthcare system is that it will be part of an existing health system and enhance *Erlanger*

Health System's ability to integrate its services within the regional service area as the safety net provider, trauma center and region's only academic medical center.

By providing these services regardless of a patient's ability to pay, the regional healthcare delivery system is positively impacted by the services envisioned in the instant application.

The applicant currently has transfer arrangements with the following hospitals which are owned by *Erlanger Health System*.

-- Erlanger Medical Center
-- Erlanger North Hospital
-- T. C. Thompson Children's Hospital
-- Erlanger Bledsoe Hospital

Further, Erlanger currently has patient transfer agreements in place with more than 90 hospitals and other providers in the four (4) state area. These providers refer patients to *Erlanger* because of the depth and breadth of its programs and services. A copy of the list of transfer agreements is attached to this CON application.

2. Describe the positive and / or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

Response

The effects of this proposal will be positive for the healthcare system because it will deliver the most appropriate level of care for those who are in need of service regardless of ability to pay, and will also distribute needed services across the service area to foster improved patient access. By providing this radiation oncology service, the regional healthcare delivery system is positively impacted by serving as the "safety net" for those who are otherwise in need of this highly specialized service.

3. Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTE's for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the *Tennessee Dept. Of Labor & Workforce Development* and/or other documented sources.

Response

Clinical staffing for the satellite cancer center at *Erlanger East Hospital* is anticipated to be 1 Administrative Assistant, 1 Dosimetrist, 1 Simulator Technologist, 2 Radiation Technologists, 1 Physicist and 1 Staff Nurse – RN. Appropriate salary comparison data is below.

Position	EHS Avg.	Market Mid-Point
Unit Admin. Asst.	$ 13.77	$ 12.81
Dosimetrist	$ 54.18	$ 49.60
Simulator Tech.	$ 34.85	$ 32.83
Radiation Tech.	$ 24.99	$ 32.83
Physicist	$ 73.23	$ 78.38
Staff Nurse-RN	$ 24.95	$ 28.02

NOTES
(1) This information is derived from the internal records of *Erlanger Health System*.
(2) The market mid-point is derived from the 2014 Hay Group Salary Survey.

4. Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Dept. Of Health, the Dept. Of Mental Health & Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.

Response

Since this project will relocate a Linear Accelerator from Erlanger site to another, it is not anticipated that any additional personnel will be needed. Appropriate personnel will be transferred from *Erlanger Medical Center* to facilitate a smooth transfer of this service.

If it is necessary to recruit personnel for this project, the human resources required will be approached with a proactive recruitment action plan. Historically, *Erlanger* has met staffing requirements by utilizing a variety of methods. Thus, our approach to fulfill the staffing plan for the radiation oncology service will consist of a proactive plan of marketing, screening, hiring, and training.

The Human Resources Department at *Erlanger* will work closely with managers in the transition. The specifics will be based on the needs of the organization and aligned with the strategic initiative of the satellite cancer center. *Erlanger* has actively been involved in the WorkForce Development movement on several different levels within the Chattanooga area and statewide. Current vacancy rates are below state and national averages.

Erlanger Health System participates with numerous schools that provide advanced training in the areas of nursing and allied health. Therefore, *Erlanger* expects no difficulty in recruitment of required staff given it's role as an academic medical center and it's affiliations with colleges and universities offering allied health and related training programs.

5. Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review *policies and programs, record keeping, and staff education*.

Response

The Applicant has reviewed and intends to comply with all licensing and certification requirements imposed by applicable statutes and regulations.

6. Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships,

residencies, etc.).

Response

Erlanger Health System, as the region's only academic medical center, has established strong long term relationships with the region's colleges, universities and clinical programs. *Erlanger* provides clinical sites for internships and rotation programs in nursing, radiology, respiratory, pharmacy and surgery technology, to name a few.

A number of regional universities offer Bachelor degree programs in nursing and physical therapy. *Erlanger* works closely with the University of Tennessee at Chattanooga to assist nurses transitioning from RN to BSN. Erlanger provides a teaching environment for staff as well with various on-the-job training opportunities (ex: CT for Radiologic Technologist, Certification for LPNs). Locally, two year degrees are available in many clinical allied health areas with additional programs offering advanced technical training in Radiological Imaging such as Nuclear Medicine, Diagnostic Ultrasonography, etc. *Erlanger Health System* participates with numerous schools that provide advanced training in the areas of nursing and allied health.

Erlanger has established strong long term relationships with the region's colleges, universities and clinical programs. *Erlanger* provides clinical sites for internships and rotation programs in nursing, radiology, respiratory care and pharmacy, to name a few. A number of regional universities offer Bachelor degree programs in nursing and physical therapy. Locally, two year degrees are available in many clinical allied health areas with additional programs offering advanced technical training in Radiological Imaging such as Nuclear Medicine and Diagnostic Ultrasonography.

The *University of Tennessee - College of Medicine* is co-located at *Erlanger* and includes training of senior medical students on clinical rotation as well as graduate medical education for training of residents and advanced fellowships in various medical specialties, including surgical specialties, as outlined below.

Residency Programs

Emergency Medicine
Family Medicine
Internal Medicine
Obstetrics & Gynecology
Orthopedic Surgery
Pediatrics
Plastic Surgery
Surgery
Urology (beginning 2015)
Transitional Year

Fellowship Programs
Geriatrics
Hospice & Palliative Care
Orthopedic Surgery - Traumatology
Surgical Critical Care
Vascular Surgery
Colon & Rectal Surgery
Emergency Medicine
Minimally Invasive Gynecologic Surgery
Neuro-Interventional Surgery
Ultrasound
Cardiology (under development)
Gastroenterology (under development)

Erlanger Health System participates with numerous schools that provide advanced training in the areas of nursing and allied health.

7. (a) Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Dept. Of Health, the Dept. Of Mental Health & Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.

Response

The Applicant has reviewed and intends to comply with all licensing and certification requirements imposed by applicable statutes and regulations.

(b) Provide the name of the entity from which the applicant has received or will receive licensure, certification, and / or accreditation.

Licensure: State of Tennessee, Dept. of Health

Accreditation: Joint Commission on Accreditation of Healthcare Organizations

If an existing institution, please describe the Current standing with any licensing, certifying, or accrediting agency or commission. Provide a copy of the current license of the facility.

Response

Erlanger East Hospital continuously strives to comply with applicable regulations and make needed changes where deficiencies may arise to ensure full compliance. A copy of the current license from the Tennessee Dept. of Health is attached to this CON application. Further, a copy of the most recent *Letter Of Accreditation* from *The Joint Commission* is attached to this CON application.

(c) For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.

Response

A copy of the most recent licensure/certification inspection report with an approved plan of correction is attached to this CON application.

8. Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5 % ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.

Response

*** Not Applicable. ***

9. Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5 % ownership interest in the project.

Response

*** Not Applicable. ***

10. If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services And Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

Response

Applicant will provide the *Health Services And Development Agency* with appropriate information in consideration of this CON application.

PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of publication of the letter of intent.

Attached is a copy of the *Letter Of Intent* which was filed with the *Tennessee Health Services & Development Agency* on December 2, 2014. The original publication affidavit is also attached to this CON application.

DEVELOPMENT SCHEDULE

Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for cause shown. Subsequent to granting a Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

1. **Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.**

   Response

   The *Project Completion Forecast Chart* has been completed and appears on the following page.

2. **If the response to the preceding question indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph, please state below any request for an extended schedule and document the "good cause" for such an extension.**

   Response

   *** Not Applicable. ***

DEC 5 '14 9:50

PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision Date, as published in Rule 68-11-1609(c): Mar. 25, 2015

Assuming the CON approval becomes the final Agency action on that date; indicate the number of days from the above agency decision date to each phase of the completion forecast.

PHASE		Days Required	Anticipated Date (MONTH / YEAR)
1.	Architectural and engineering contract signed.	60	May, 2015
2.	Construction documents approved by the *Tennessee Dept. Of Health.*	28	Jun, 2015
3.	Construction contract signed.	28	Jul, 2015
4.	Building permit secured.	14	Aug, 2015
5.	Site preparation completed.	21	Aug, 2015
6.	Building construction commenced.	120	Dec, 2015
7.	Construction 40 % complete.	90	Mar, 2016
8.	Construction 80 % complete.	90	Jun, 2016
9.	Construction 100 % complete (approved for occupancy.	44	Aug, 2016
10.	*Issuance of license.	30	Sep, 2016
11.	*Initiation of service.	7	Sep, 2016
12.	Final Architectural Certification Of Payment.	60	Nov, 2016
13.	Final Project Report Form (HF0055).	30	Dec, 2016

(*) For projects that do NOT involve construction or renovation, please complete items 10 and 11 only.

NOTE – If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

A F F I D A V I T

STATE OF TENNESSEE

COUNTY OF HAMILTON

Joseph M. Winick, being first duly sworn, says that he / she is the applicant named in this application or his / her / it's lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Agency Rules, and T.C.A. § 68-11-1601, *et seq*, and that the responses to this application or any other questions deemed appropriate by the Tennessee Health Services & Development Agency are true and complete.

SIGNATURE

SWORN to and subscribed before me this 1st of December (Month), 2014 (Year), a Notary Public in and for the State of Tennessee, County of Hamilton.

Shelia Hall
NOTARY PUBLIC

My commission expires June 9 (Month / Day), 2018.

SHELIA HALL
STATE OF TENNESSEE NOTARY PUBLIC
HAMILTON COUNTY

TABLE OF ATTACHMENTS

** NOTE - The attachments are paginated and the page number begins with "A". The page number appears in the upper right hand corner of the page.

ATTACHMENTS

LETTER OF INTENT
TENNESSEE HEALTH SERVICES & DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Chattanooga Times Free Press, which is a newspaper of general circulation in Hamilton County, Tennessee, on or before December 10, 2014, for one day.

This is to provide official notice to the Health Services & Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et. seq.*, and the Rules of the Health Services & Development Agency, that Erlanger East Hospital, owned by the Chattanooga-Hamilton County Hospital Authority D/B/A Erlanger Health System, with an ownership type of governmental, and to be managed by itself, intends to file an application for a Certificate of Need to initiate radiation therapy service with the acquisition of a new Linear Accelerator to be located at Erlanger East Hospital. The new Linear Accelerator will replace an existing Linear Accelerator at Erlanger Medical Center. If this project is approved, the number of Linear Accelerators at Erlanger Medical Center will be reduced from two (2) to one (1). Upon completion there will be no change in the number of Linear Accelerators in the service area. The Linear Accelerator will complement other Oncology services at Erlanger East Hospital. The expansion of Erlanger East Hospital (CON No. CN0405-047AE) is in process. No other health care services will be initiated or discontinued.

The facility and equipment will be located at Erlanger East Hospital, 1755 Gunbarrel Road, Chattanooga, Hamilton County, Tennessee, 37421. The total project cost is estimated to be $ 10,532,560.00.

The anticipated date of filing the application is December 5, 2014.

The contact person for this project is Joseph M. Winick, Sr. Vice President, Erlanger Health System, 975 East 3rd Street, Chattanooga, Tennessee, 37403, and by phone at (423) 778-7274.

Joseph M. Winick	December 1, 2014	Joseph.Winick@erlanger.org
	Date:	E-Mail:

The Letter Of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services & Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

The published Letter Of Intent must contain the following statement pursuant to T.C.A. §68-11-1607(c)(1): (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

TUESDAY
DECEMBER 2, 2014
TO GIVE THE NEWS IMPARTIALLY, WITHOUT FEAR OR FAVOR
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Tuesday, December 2, 2014 › FS

LEGAL NOTICES | LEGAL NOTICES | LEGAL NOTICES

NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services & Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 et. seq., and the Rules of the Health Services & Development Agency, that Erlanger East Hospital, owned by the Chattanooga-Hamilton County Hospital Authority D/B/A Erlanger Health System, with an ownership type of governmental, and to be managed by itself, intends to file an application for a Certificate of Need to initiate radiation therapy service with the acquisition of a new Linear Accelerator to be located at Erlanger East Hospital. The new Linear Accelerator will replace an existing Linear Accelerator at Erlanger Medical Center. If this project is approved, the number of Linear Accelerators at Erlanger Medical Center will be reduced from two (2) to one (1). Upon completion there will be no change in the number of Linear Accelerators in the service area. The Linear Accelerator will complement other Oncology services at Erlanger East Hospital. The expansion of Erlanger East Hospital (CON No. CN0405-047AE) is in process. No other health care services will be initiated or discontinued.

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The contact person for this project is Joseph M. Winick, Sr. Vice President, Erlanger Health System, 975 East 3rd Street, Chattanooga, Tennessee 37403, and by phone at (423) 778-7274.

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:

Health Services & Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

Pursuant to T.C.A. § 68-11-1607(c)(1): (A) Any health care institution wishing to oppose a Certificate Of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

38072613

STATE OF TENNESSEE
HAMILTON COUNTY

Before me personally appeared Pam Saynes who being duly sworn, that she is the Legal Sales Representative of the "CHATTANOOGA TIMES FREE PRESS" and that the Legal Ad of which the attached is a true copy, has been published in the above said Newspaper and on the website on the following dates, to-wit:

December 2, 2014

And that there is due or has been paid the "CHATTANOOGA TIMES FREE PRESS" for publication of such notice the sum of $672.40 Dollars. (Includes $10.00 Affidavit Charge).

Pam Saynes

Sworn to and subscribed before me, this 2nd day of December 2014.

MARYLU McDONALD
STATE OF TENNESSEE NOTARY PUBLIC
HAMILTON COUNTY

Marylu McDonald

My Commission Expires 7/20/2016

Chattanooga Times Free Press

2788719
ERLANGER STRATEGIC

STATE OF TENNESSEE
HAMILTON COUNTY

Before me personally appeared Pam Saynes who being duly sworn, that she is the Legal Sales Representative of the "CHATTANOOGA TIMES FREE PRESS" and that the Legal Ad of which the attached is a true copy, has been published in the above said Newspaper and on the website on the following dates, to-wit:

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MARYLU McDONALD
STATE OF TENNESSEE NOTARY PUBLIC
HAMILTON COUNTY

Marylu McDonald

My Commission Expires 7/20/2016

Chattanooga Times Free Press

NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services & Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 et. seq., and the Rules of the Health Services & Development Agency, that Erlanger East Hospital, owned by the Chattanooga-Hamilton County Hospital Authority D/B/A Erlanger Health System, with an ownership type of governmental, and to be managed by itself, intends to file an application for a Certificate of Need to initiate radiation therapy service with the acquisition of a new Linear Accelerator to be located at Erlanger East Hospital. The new Linear Accelerator will replace an existing Linear Accelerator at Erlanger Medical Center. If this project is approved, the number of Linear Accelerators at Erlanger Medical Center will be reduced from two (2) to one (1). Upon completion there will be no change in the number of Linear Accelerators in the service area. The Linear Accelerator will complement other Oncology services at Erlanger East Hospital. The expansion of Erlanger East Hospital (CON No. CN0405-047AE) is in process. No other health care services will be initiated or discontinued.

The facility and equipment will be located at Erlanger East Hospital, 1755 Gunbarrel Road, Chattanooga, Hamilton County, Tennessee, 37421. The total project cost is estimated to be $ 10,532,560.00.

The anticipated date of filing the application is December 5, 2014.

The contact person for this project is Joseph M. Winick, Sr. Vice President, Erlanger Health System, 975 East 3rd Street, Chattanooga, Tennessee 37403, and by phone at (423) 778-7274.

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:

Health Services & Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

Pursuant to T.C.A. § 68-11-1607(c)(1): (A) Any health care institution wishing to oppose a Certificate Of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

38072613

State of Tennessee

EHS Enabling Legislation

Department of State

To all to whom these Presents shall come, Greeting:

I Gentry Crowell, Secretary of State of the State of Tennessee do hereby certify that the annexed is a true copy of

PRIVATE CHAPTER NO. 125

SENATE BILL NO. 1499

PRIVATE ACTS OF 1977

the original of which is now on file and a matter of record in this office.

In Testimony Whereof, I have hereunto subscribed my Official Signature and by order of the Governor affixed the Great Seal of the State of Tennessee at the Department, in the City of Nashville, this 13th day of June A.D. 19 77

Gentry Crowell

Secretary of State

PRIVATE CHAPTER NO 125

SENATE BILL NO. 1499

By Albright, Ortwein

Substituted for: House Bill No. 1514

By Robinson (Hamilton)

AN ACT To amend Chapter 297 of the 1976 Private Acts of Tennessee entitled "AN ACT To create a Governmental Hospital Authority to own and operate Baroness Erlanger Hospital, T. C. Thompson Children's Hospital and other related facilities and provide for the establishment and organization of a Board of Trustees for the operation thereof," relative to the Board of Trustees of said Hospital Authority and the powers and duties thereof, to the issuance of bonds and other obligations by the authority and the securing thereof, to the Financial Review Committee with respect to the authority, and the duties and powers thereof, and to other provisions with respect to the duties and obligations of the authority, and validating and reenacting said Chapter No. 297 and ratifying all acts of the Board of Trustees of the authority.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Chapter 297 of the Private Acts of 1976 is amended by amending Section 1 thereof to read as follows:

"SECTION 1. A governmental Hospital Authority to be known as the Chattanooga-Hamilton County Hospital Authority, is hereby created and established for and on behalf of Hamilton County, Tennessee, for the purpose of performing a governmental function by operating Baroness Erlanger Hospital and T. C. Thompson Children's Hospital and such other similar or associated hospitals and existing health centers deemed appropriate to be operated by said authority as sole operator for the purpose of providing health care facilities and programs for the residents of Hamilton County, Tennessee."

SECTION 2. Chapter 297 of the Private Acts of 1976 is amended by deleting the first paragraph of Section 2 thereof and by substituting for such paragraph two new paragraphs to read as follows:

"SECTION 2. The Hospital Authority shall be operated upon the tracts and parcels of real property owned jointly by Hamilton County and the City of Chattanooga, Tennessee, and on which are situated the Baroness Erlanger Hospital and the T. C. Thompson Children's Hospital or upon any other real property acquired by the authority through gift and purchase. The city and the county are authorized and directed to convey and assign all real property constituting the Baroness Erlanger Hospital and the T. C. Thompson Children's Hospital to the authority. The city and the county are also authorized to convey and assign all personal property constituting the Baroness Erlanger Hospital and the T. C. Thompson Children's Hospital to the authority.

"In the event the authority shall at any time cease to exist as the operator of Baroness Erlanger Hospital, T. C. Thompson Children's Hospital and such other similar or associated hospitals and existing health centers deemed appropriate to be operated by the authority as sole operator, the real estate which was owned on August 5, 1976, by the county and the city and conveyed to the authority by the county and the city, shall revert in fee simple to the county, subject to such encumbrances as may be on said property at the time of reversion; provided, however, that the city shall have an option to require transfer to it of the title to the same proportion of such real estate as was owned by the city on such date, subject to such encumbrances on that portion of the real estate.

"If the authority shall at any time cease to use any such parcel or parcels of said real estate for hospital or related purposes for a period of two (2) years, then the county and the city shall have the option to require transfer to them of title to such parcel or parcels in fee simple, subject to such encumbrances as may be on said property at the time of such transfer of title, in the same proportion as such parcel or parcels were previously owned by the county and the city. In the event that either the county or the city shall elect not to exercise its option with respect to any such parcel or parcels of real estate, then the other of them shall have the option to require transfer to it of the entire parcel or parcels of real estate in question. In the event that neither the county nor the city decides that they wish to exercise said option, then the authority shall have the right to dispose of such property in whatever manner it deems appropriate."

SECTION 3. Chapter 297 of the Private Acts of 1976 is amended by amending Section 3 thereof to read as follows:

"SECTION 3. Said Hospital Authority shall be operated and controlled by a Board of Trustees consisting of eleven (11) members who shall serve without compensation but who shall be indemnified by the authority for any liability they might incur while acting in such capacity other than from culpable negligence. The original members of the Board of Trustees and their respective terms of office are declared to be those

individuals whose names are set out below, and upon expiration of such terms the members of the Board of Trustees shall be appointed by the county judge of the county, the mayor of the city, the chancellors of the chancery courts, and the legislative delegation for four (4) year terms as provided in the next succeeding paragraph hereof. The following are confirmed as the original members of the Board of Trustees and shall hold office for terms ending as follows (or until their successors are appointed):

Name of Trustee	Successor to be Appointed by	Term of Office Expires
David P. McCallie, M.D.	Mayor	11-1-80
Mrs. Vl Ketchersid	County Judge	11-1-80
Stan Guthrie	Chancellors	11-1-80
Harry W. McKaldin, Jr.	Mayor	11-1-79
Sibert Bennet, Jr.	County Judge	11-1-79
Don J. Russell, M.D.	Mayor and County Judge (with approval of medical society)	11-1-79
J. K. Lawrence	Mayor	11-1-78
John C. Cantrill	County Judge	11-1-78
Claude Ramsey	Legislative Delegation	11-1-78
Charles Griffin	Mayor	11-1-77
Forrest Cate	County Judge	11-1-77

"The method of appointment of the members of the Board of Trustees after the expiration of the terms of the original members of such board shall be as follows: The mayor of the city shall appoint four (4) trustees, with the approval of a majority of the members of the Board of Commissioners. The county judge of the county shall appoint four (4) trustees, with the approval of a majority of the members of the county council. Said mayor and county judge shall jointly appoint one (1) trustee with the approval of the president of the Chattanooga-Hamilton County Medical Society, Inc., acting with the approval of a majority of the House of Delegates of said society, and with the approval of a majority of the members, respectively, of the Board of Commissioners and of the county council. The chancellors of chancery court shall jointly appoint one (1) trustee. The legislative delegation shall by a majority vote appoint one (1) trustee.

"Upon the expiration of the term of office of any trustee, his successor shall be appointed for a term of four (4) years by the authority appointing the trustee whose term has expired. The original trustees, for all purposes of this section, shall be considered to have been appointed by the mayor, the county judge, the chancellors and/or the legislative delegation as indicated in the above tabulation.

"All such appointments to the Board of Trustees as provided herein shall be made without regard to religious preference, race, sex or national origin, and in the making of appointments due consideration shall be given to making said Board of Trustees representative, as nearly as may be practicable, of all residents of the city and county, including the various racial groups therein.

"Any member so appointed to the Board of Trustees may, for reasonable cause, be removed from his or her office in the same manner and by the same authority as such member was appointed to the office; provided that such removal shall be preceded by a full hearing and adequate notice of such hearing. 'Reasonable cause' shall include, but shall not be limited to, misconduct in office, failure to perform duties prescribed by this act or other applicable law, or failure to diligently pursue the objectives for which the authority was created.

"Vacancies on the Board of Trustees caused by any reason whatsoever, shall be filled by appointment of the authority who appointed the trustee vacating the office, but without the necessity of approval otherwise herein required. A trustee so appointed shall hold office for the remainder of the term of the trustee vacating the office.

"A member of the Board of Trustees may serve as such trustee for not more than eight (8) consecutive years, excluding any previous service as a member of the Board of Trustees of Baroness Erlanger Hospital and/or T. C. Thompson Children's Hospital."

The occupancy of their respective offices by the present members of the Board of Trustees (being those individuals enumerated in amended Section 3 above) is hereby ratified and confirmed.

SECTION 4. Chapter 297 of the Private Acts of 1976 is amended by repealing Section 4 thereof and substituting therefor a new Section 4 to read as follows:

"SECTION 4. Whenever used in this act, unless a different meaning clearly appears from the context, the following terms whether used in the singular or the plural shall be given the following respective interpretations:

'Authority' or 'Hospital Authority' means the Chattanooga-Hamilton County Hospital Authority as created by this act.

'Board of Commissioners' means the Board of Commissioners of the city.

'Board of Trustees' means the Board of Trustees of the authority as provided for in this act.

'Bonds' means bonds of the authority authorized to be issued by this act. 'Advance refunding bonds' means bonds issued for the purpose of refunding outstanding bonds which will neither mature by their terms nor be subject to and called for redemption within a period of 30 days following the date of issuance of said advance refunding bonds.

'Chancellors' means the Chancellors of the Chancery Courts of Hamilton County, Tennessee.

'Chief Executive Officer' means, as the context requires, the president of the authority, the mayor of the city, and the county judge of the county.

'City' means the City of Chattanooga, Tennessee.

'County' or 'Hamilton County' means Hamilton County, Tennessee.

'County Council' means the county council of the county.

'County Judge' means the county judge or such other chief executive officer of the county as may be created by subsequent law.

'Financial Review Committee' means the Financial Review Committee provided for in this act.

'Hamilton County Sales Tax Agreement' means the agreement between the city and the county, dated March 23, 1966.

'Legislative Delegation' means the Hamilton County delegation to the Legislature of Tennessee, being the Senators and Representatives elected from those districts lying in whole or in part in the county.

'Mayor' means the mayor of the city or such other chief executive officer of the city as may be created by subsequent law.

'Notes' means notes of the authority authorized to be issued by this act. 'Short-Term Notes' means nonrenewable notes having a term no longer than three (3) years. 'Long-Term Notes' means renewable short-term notes and notes having a term longer than three (3) years.

'Project' or 'Facility' shall mean any one or combination of buildings, structures or facilities owned by the authority, including the site therefor and all machinery and equipment therein or necessary to the operation thereof, and shall include expressly the Baroness Erlanger Hospital and the T. C. Thompson Children's Hospital."

SECTION 5. Chapter 297 of the Private Acts of 1976 is amended by repealing Section 5 thereof and by renumbering Section 6 thereof as Section 5.

SECTION 6. Chapter 297 of the Private Acts of 1976 is amended by renumbering Section 7 thereof as Section 6 and by amending said renumbered Section 6 to read as follows:

"SECTION 6. The Board of Trustees shall be vested with the full, absolute and complete authority and responsibility for the complete operation, management, conduct and control of the business and affairs of the Hospital Authority herein created. This authority and responsibility shall include, but shall not be limited to, the establishment, promulgation and enforcement of the rules, regulations and policies of the authority, the granting of or the refusal of medical staff privileges, the upkeep and maintenance of all property, the administration of all financial affairs of the authority, including pledging of assets for expansion and improvement of facilities and any other necessary financial needs of the authority. The authority shall have, but shall not be limited to, the following powers together with all powers incidental thereto or necessary for the performance of those hereinafter stated: (1) to sue and be sued and to prosecute and defend, at law or in equity, in any court having jurisdiction of the subject matter and of the parties; (2) to have and use an official seal and to alter the same at pleasure; (3) to acquire, whether by purchase, construction, exchange, gift, lease, or otherwise, and to improve, maintain, extend, equip and furnish hospital and related facilities within the corporate limits of Hamilton County, including expressly, but without limitation, professional office buildings, ancillary residence facilities and data processing facilities, and including all real and personal properties which the Board of Trustees may deem necessary in connection therewith and regardless of whether or not any such facilities shall then be in existence; (4) to execute all contracts, agreements and other instruments with any person, partnership, corporation, federal, state, county or municipal government, including but not limited to the issuance of bonds, mortgages, notes and other forms of indebtedness, and contracts for the

management of hospital and clinic facilities (but no such management contract shall exceed two (2) years in length); (5) subject to the provisions of Section 2 hereof, to sell, lease, exchange, donate, and convey any or all of its properties whenever its Board of Trustees shall find any such action to be in furtherance of the purposes for which the authority was created; (6) to borrow money and issue its bonds and notes for the purpose of carrying out any of its powers; (7) as security for the payment of the principal of and interest on any bonds and notes so issued and any agreements made in connection therewith, to mortgage and pledge any or all of its facilities or any part or parts thereof, whether then owned or thereafter acquired, and to pledge all or any portion of the revenues and receipts therefrom or from any thereof; (8) to employ and pay compensation to such employees, and agents, including attorneys, accountants, engineers, architects and financial consultants, as the Board of Trustees shall deem necessary for the business of the authority; and (9) to establish bylaws and make all rules and regulations not inconsistent with the provisions of this act, deemed expedient for the management of the authority's affairs.

"No contract, except for personal services or lease obligations, involving an expenditure exceeding one thousand dollars ($1,000.00), nor several proposed contracts aggregating more than one thousand dollars ($1,000.00), for the same general work or kind of work, supplies or equipment, shall be awarded until after at least one advertisement in some newspaper of general circulation published in the county at least ten (10) days before such contract is awarded or supplies purchased, and then only to the lowest and best bidder. Said bids shall be sealed and filed with the president or his designee, who shall publicly open them on the date specified and not prior thereto. No entire project or purchase involving the same type of work, equipment or supplies shall be split into small contracts. Nothing in this paragraph shall be construed to apply to the issuance of bonds or notes by the authority.

"Purchases and contracts involving an expenditure of not more than one thousand dollars ($1,000.00) shall be made in conformity with the rules and regulations adopted by the Board of Trustees.

"The authority shall prescribe reasonable rates, fees and charges for the services and facilities furnished by the authority and shall revise such rates, fees and charges from time to time so as to produce revenue at least sufficient to pay the principal of and interest on all bonds and other obligations issued by the authority, including reserves therefor, and to pay the cost of maintaining and operating its facilities."

SECTION 7. Chapter 297 of the Private Acts of 1976 is amended by the addition of a new Section 7 thereto to read as follows:

"SECTION 7. Except as herein otherwise expressly provided, all bonds issued by the authority shall be payable solely out of and secured by a pledge of all or any portion of the revenues and receipts derived from the authority's projects or of any thereof as may be designated in the proceedings of the Board of Trustees under which such obligations shall be authorized to be issued and may be secured by a mortgage or deed of trust covering all or any part of the projects from which the revenues and receipts so pledged may be derived, as such projects may thereafter be extended or enlarged; provided, that notes issued in anticipation of the issuance of bonds may be retired out of the proceeds of such bonds. The proceedings under which the bonds are authorized and any such mortgage or deed of trust may contain agreements and provisions respecting the maintenance of the facilities covered thereby, the establishment of rates, fees and charges for the services and facilities furnished by the authority, the creation and maintenance of special funds from the revenues of the authority and the rights and remedies available in the event of default, all as the Board of Trustees shall determine advisable and not in conflict with the provisions of this act. Each pledge, mortgage and deed of trust made for the benefit or security of any bonds of the authority shall continue in effect until the principal of and interest on the bonds for the benefit of which the same were made shall have been fully paid. In the event of default in such payment or in any agreement of the authority made as a part of the contract under which the bonds were issued, whether contained in the proceedings authorizing the bonds or in any mortgage or deed of trust executed as security therefor, such payment or agreement may be enforced by suit, mandamus, the appointing of a receiver in equity or by foreclosure of any such mortgage or deed of trust, or any one or more of such remedies.

"Such bonds may be executed and delivered by the authority at any time and from time to time, may be in such form and denominations and of such terms and maturities, may be subject to redemption prior to maturity either with or without premium, may be in fully registered form or in bearer form registrable either as to principal or interest or both, may bear such conversion privileges and be payable in such installments and at such time or times not exceeding forty (40) years from the date thereof, may be payable at such place or places whether within or without the State of Tennessee, may bear interest at such rate or rates payable at such time or times and at such place or places and evidenced in such manner, may be executed by such officers of the authority, and may contain such provisions not inconsistent herewith, all as shall be provided in the proceedings of the Board of Trustees whereunder the bonds shall be authorized to be issued. Any bonds of the authority may be sold at public or private sale for such price and in such manner and from time to time as may be determined by the Board of Trustees to be most advantageous, and the authority may pay all expenses, premiums and commissions which its Board of Trustees may deem necessary or advantageous in connection with the issuance thereof.

"Proceeds of bonds and notes issued by the authority may be used for the purpose of constructing, acquiring, reconstructing, improving, equipping, furnishing, bettering, or extending any project or projects, including the payment of interest on the bonds during construction of any such project and for six (6) months after the estimated date of completion, the payment of engineering, fiscal, architectural, bond insurance and legal expenses incurred in connection with such project and the issuance of the bonds, and the establishment of a reasonable reserve fund for the payment of principal of and interest on such bonds in the event of a deficiency in the revenues and receipts available for such payment. Any bonds and long-term notes shall, except as herein otherwise expressly provided, be issued for capital expenditures and none of the proceeds shall be used for operational expenditures or routine maintenance needs.

"Except as hereinafter in this paragraph provided, the amount of bonds and notes of the authority which may be issued at any time, together with any bonds and notes of the authority then outstanding, shall not exceed an amount equal to ninety percent (90%) of the sum of the value of the existing plant, property and equipment of the authority at the time of issuance of such bonds plus the contract price of the improvements to be constructed, acquired and installed from the proceeds of such bonds, less (1) the principal amount outstanding, if any, of such bonds as may have been issued by the county for the expansion, remodeling, repairing, equipping, and/or construction of all or any part of Baroness Erlanger Hospital and/or T. C. Thompson Children's Hospital, and (2) the amount, if any, of any unfunded portion of the employees' pension fund of Baroness Erlanger Hospital and/or T. C. Thompson Children's Hospital. Plant, property and equipment for the purpose of the preceding sentence shall be stated at market value as determined by a professional appraiser to be selected by the Financial Review Committee. A certificate of such professional appraiser with respect to the value of such plant, property and equipment, a certificate of the county judge of the county with respect to the amount of outstanding bonds of the county for such hospital purposes, and a certificate of the chief executive officer of the authority with respect to the unfunded portion of such employees' pension fund shall each be conclusive for the purposes of determining the amount of bonds and notes which may be issued pursuant to this paragraph. The limitations expressed in this paragraph shall not apply to the issuance of advance refunding bonds.

"The Board of Trustees shall direct in the proceedings authorizing the issuance of any bonds of the authority that there shall be set aside and appropriated as a reserve for the payment of principal and interest on said bonds an amount not less than the required amount of principal and interest on the bonds falling due during the 12 month period next succeeding the date of issuance of the bonds.

"Any bonds or notes of the authority at any time outstanding may at any time and from time to time be refunded by the authority by the issuance of its refunding bonds in such amount as the Board of Trustees may deem necessary, but not exceeding the sum of the following: (a) the principal amount of the obligations being refinanced; (b) applicable redemption premiums thereon; (c) unpaid interest on such obligations to the date of delivery or exchange of the refunding bonds; (d) in the event the proceeds from the sale of the refunding bonds are to be deposited in trust

as hereinafter provided, interest to accrue on such obligations from the date of delivery to the first or any subsequent available redemption date or dates selected, in its discretion, by the Board of Trustees, or to the date or dates of maturity, whichever shall be determined by the Board of Trustees to be most advantageous or necessary to the authority; and (e) expenses, premiums and commissions of the authority, including bond discount, deemed by the Board of Trustees to be necessary for the issuance of the refunding bonds. A determination by the Board of Trustees that any refinancing is advantageous or necessary to the authority, or that any of the amounts provided in the preceding sentence should be included in such refinancing, or that any of the obligations to be refinanced should be called for redemption on the first or any subsequent available redemption date or permitted to remain outstanding until their respective dates of maturity, shall be conclusive.

"Any such refunding may be effected either by the exchange of the refunding bonds for the obligations to be refunded thereby with the consent of the holders of the obligations so to be refunded, or by sale of the refunding bonds and the application of the proceeds thereof to the payment of the obligations to be refunded thereby, in the manner herein provided.

"Prior to the issuance of the refunding bonds, the Board of Trustees shall cause notice of its intention to issue the refunding bonds, identifying the obligations proposed to be refunded and setting forth the estimated date of delivery of the refunding bonds, to be given to the holders of the outstanding obligations by publication of an appropriate notice one (1) time each in a newspaper having general circulation in Hamilton County and in a financial newspaper published in New York, New York, and having national circulation. As soon as practicable after the delivery of the refunding bonds, and whether or not any of the obligations to be refunded are to be called for redemption, the Board of Trustees shall cause notice of the issuance of the refunding bonds to be given in the manner provided in the preceding sentence.

"If any of the obligations to be refunded are to be called for redemption, the Board of Trustees shall cause notice of redemption to be given in the manner required by the proceedings authorizing such outstanding obligations.

"The principal proceeds from the sale of any refunding bonds shall be applied only as follows: either,

(a) to the immediate payment and retirement of the obligations being refunded; or

(b) to the extent not required for the immediate payment of the obligations being refunded then such proceeds shall be deposited in trust to provide for the payment and retirement of the obligations being refunded and to pay any expenses incurred in connection with such refunding, but provision may be made for the pledging and disposition of any surplus, including, without limitation, provision for the pledging of any such surplus to the payment of the principal of and interest on any issue or series of refunding bonds. Money in any such trust fund may be invested in direct obligations of, or obligations the timely payment of principal of and interest on which are fully guaranteed by the United States government, or obligations of any agency or instrumentality of the United States government, or in certificates of deposit issued by a bank or trust company located in the State of Tennessee if such certificates shall be secured by a pledge of any of said obligations having an aggregate market value, exclusive of accrued interest, equal at least to the principal amount of the certificates so secured. Nothing herein shall be construed as a limitation on the duration of any deposit in trust for the retirement of obligations being refunded but which shall not have matured and which shall not be presently redeemable or, if presently redeemable, shall not have been called for redemption."

SECTION 8. Chapter 297 of the Private Acts of 1976 is amended by adding at the end of the third paragraph of Section 9 thereof a new sentence to read as follows:

"A certificate by such actuary with respect to the currency of such required pension fund contributions shall be conclusive for the purpose of determining compliance by the authority with the provisions of this section."

SECTION 9. Chapter 297 of the Private Acts of 1976 is amended by adding a new sentence to the end of Section 10 thereof, said new sentence to read as follows:

"Notwithstanding the foregoing provisions of this section, nothing herein contained shall be construed as limiting any expenditures made by the authority for the payment of principal of and in-

terest on bonds or other obligations issued by the authority."

SECTION 10. Chapter 297 of the Private Acts of 1976 is amended by amending Section 11 thereof to read as follows:

"SECTION 11. A Financial Review Committee shall be created consisting of seven (7) members, one (1) of whom shall be Black. The membership shall be composed of the auditor of the city, the auditor of the county, and five (5) other persons who are residents of Hamilton County, three (3) of whom shall be appointed by the county judge with the approval of a majority vote of the county council and two (2) of whom shall be appointed by the mayor with the approval of a majority vote of the Board of Commissioners; provided, that if any members of such committee shall not have been so appointed within 90 days from the date of approval of this act by the county council of the county, such members shall thereupon be appointed by a majority vote of the members of the legislative delegation.

"The members of the committee shall serve without compensation. They shall be indemnified by the authority for any liability they might incur while acting in such capacity other than for culpable negligence. With the exception of the city auditor and the county auditor, the remaining members shall be initially appointed to staggered terms as follows: two (2) for terms of three (3) years; one (1) to be so appointed by the county judge and one (1) to be so appointed by the mayor; two (2) for terms of two (2) years; one (1) to be so appointed by the county judge and one (1) to be so appointed by the mayor; and one (1) to be so appointed by the county judge for a term of one (1) year. Thereafter, each appointee shall serve for a period of three (3) years and such appointee's successor shall be appointed in the same manner and by the same official who appointed the person whose term has expired. Any person appointed to fill a vacancy for any reason other than expiration of term of office shall be appointed to hold office for the remainder of the term of the member vacating the office. Said vacancy shall be filled in the same manner as the original appointment.

"The Financial Review Committee shall review the proposed issuance of bonds or long-term notes, to consider if the issuance of said obligations is within the fiscal ability of the authority based upon the appropriate preceding annual audits, monthly operating statements subsequent to the closing date of the most recent audit period included in the most recent annual audit, additional revenue projections reasonably anticipated as a result of the proposed capital expenditure (taking into account any probable revenue loss during replacement, if any), and any other data reasonably bearing upon the fiscal soundness of the issuance of such bonds or long-term notes. At such time or times as the Board of Trustees of the authority shall desire to authorize the issuance of bonds or long-term notes it shall first submit the proposal to issue such obligations to the Financial Review Committee, which committee shall file its advisory report thereon with the Board of Trustees within sixty (60) days after the receipt of such proposal. Upon the filing of such report with the Board of Trustees, or after sixty (60) days following the date of submission of such proposal to such committee, whichever is earlier, the Board of Trustees may proceed with the issuance of such bonds or long-term notes; provided, that the submission to the Financial Review Committee herein required shall not be necessary at any time if such committee has not then been validly appointed and is not in existence.

"The Financial Review Committee shall annually review the proposed budget prepared by the Board of Trustees and shall file its report thereon with the Board of Trustees and the County Council.

"All reports of the Financial Review Committee shall be made to the County Council of the county, the Board of Commissioners of the city and the Board of Trustees of the authority, and shall be considered by the respective governing bodies with which such reports are filed."

SECTION 11. Chapter 297 of the Private Acts of 1976 is amended by adding six new sections thereto to be numbered 17 to 22, inclusive, and to read as follows:

SECTION 17. Notwithstanding any other provision of this act the county shall have the option to purchase all real and personal property of the authority if either of the following shall have occurred:

(a) The authority shall have defaulted in the payment when due of principal or interest on any of its bonds or long-term notes then outstanding; or

(b) The authority shall have filed written notice with the county judge that it is the expectation of the Board of Trustees of the authority that the authority will so default in the payment of principal of or interest on any of its bonds or long-term notes then outstanding on the next succeeding date on which such principal or interest shall fall due.

"The purchase price in the event that the county shall elect to exercise any such option shall be an amount equal to the principal of and interest to maturity or the first call date, if any, whichever shall be earlier, together with any applicable premiums, on all bonds and long-term notes of the authority then outstanding, and the amount so received by the authority from the county shall be impressed with a trust in favor of the holders of such bonds and long-term notes and shall be used for the payment of principal of and interest and redemption premiums thereon and for no other purpose.

"Such purchase option of the county shall be superior to any right of foreclosure herein permitted, and any mortgage hereinafter granted by the authority shall recognize and be subject to such option to purchase.

"SECTION 18. The authority is hereby declared to be a public instrumentality acting on behalf of the county, but without the power of eminent domain, and in that connection to be fulfilling a public function, and the authority and all properties at any time owned by it and the income therefrom and all bonds or notes issued by the authority and the income therefrom shall be exempt from all taxation in the State of Tennessee. Also, for purposes of the Securities Law of 1955, compiled as Sections 48-1601 through 48-1648, Tennessee Code Annotated, and any amendment thereto or substitution therefor, bonds or notes issued by the authority shall be deemed to be securites issued by a public subdivision of the State of Tennessee.

"SECTION 19. The authority shall be a public nonprofit corporation and no part of its net earnings remaining after payment of its expenses shall inure to the benefit of any individual, firm or corporation.

"SECTION 20. Neither the county nor the city shall in any event be liable for the payment of the principal of or interest on any bonds or notes of the authority or for the performance of any pledge, mortgage, obligation or agreement of any kind whatsoever which may be undertaken by the authority, and none of the bonds or notes of the authority or any of its agreements or obligations shall be construed to constitute an indebtedness of either the county or the city within the meaning of any constitutional or statutory provision whatsoever.

"SECTION 21. Nothing contained in this act shall be construed to impair any contract rights which may have vested prior to the enactment of this act.

"SECTION 22. It is hereby declared that the purpose of this act is to facilitate adequate hospital facilities for the residents of the county. Bonds may be issued under this act without regard to the requirements, restrictions or procedural provisions contained in any other law."

SECTION 12. Chapter 297 of the Private Acts of 1976 is hereby in all respects ratified and confirmed and said act as herein amended is hereby reenacted by this General Assembly.

SECTION 13. If any provision of this act or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect any other provisions or application of the act which can be given effect without the invalid provision or application, and to that end the provisions of this act are declared to be severable.

SECTION 14. This act shall have no effect unless it is approved by a two-thirds vote of the County Council of Hamilton County. Its approval or nonapproval shall be proclaimed by the presiding officer of the county council and certified by such officer to the Secretary of State.

SECTION 15. For the purpose of approving this act as provided in Section 14 it shall take effect on becoming law, the public welfare requiring it, but for all other purposes it shall be effective only upon being approved as provided in Section 14.

SENATE BILL NO. 1499

PASSED: May 19, 1977

SPEAKER OF THE SENATE

SPEAKER OF THE HOUSE OF REPRESENTATIVES

APPROVED this 28th day of May 19 77

GOVERNOR

erlanger

November 26, 2014

To: **Ms. Melanie Hill, Executive Director**
Health Services and Development Agency
State of Tennessee
161 Rosa L. Parks Blvd.
Nashville, TN 37243

Re: **Verification of the CON Budget Summary**
Erlanger East Campus
Radiation Therapy Center
EHS Project #459600
1751 Gunbarrel Road
Chattanooga, TN 37421

Dear Ms. Hill,

The proposed Radiation Therapy Center for the Erlanger East Campus, EHS Project #459600, will consist of three parts; (a) Renovation of 7,396 s.f. for the new Radiation Therapy Center at a projected project cost of $8,709,917; (b) Relocation of the Outpatient Pharmacy service, 1,600 s.f. at a projected project cost of $190,652.00; (c) Relocation of the Inpatient Pharmacy service, 1,200 s.f. at a projected project cost of $149,364.00.

Submission of an opinion of probable costs, we as the owner, accept and understand we do not have any control over materials, labor, or equipment availability, current market conditions, or the projected contractor's method of pricing. The EHS Planning and Construction Department's projections of probable project costs are based on a compilation of historical data of similar projects, and industry standard prescribed methods of estimating.

Additional planning and design work to be completed by a selected architect-of-record, will be compliant with all applicable federal, state, and local codes and ordinances, to include the current adopted Tennessee Department of Health licensing requirements. The final design will conform the equipment manufacturer's specifications and a Medical Physicist's recommendations.

In our opinion the projected costs are reasonable for this scope of work, size, and type of project, and compares favorably with similar projects within this market. If you have any further questions or comments please feel free to contact me at 423 778 6510 (of), or chuck.arnold@erlanger.org.

Sincerely,

Chuck Arnold, Architect/Planner
Erlanger Health System
TN License 102349

Enc.

erlanger

November 26, 2014

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Health Services and Development Agency
State of Tennessee
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Chuck Arnold, Architect/Planner
Erlanger Health System
TN License 102349

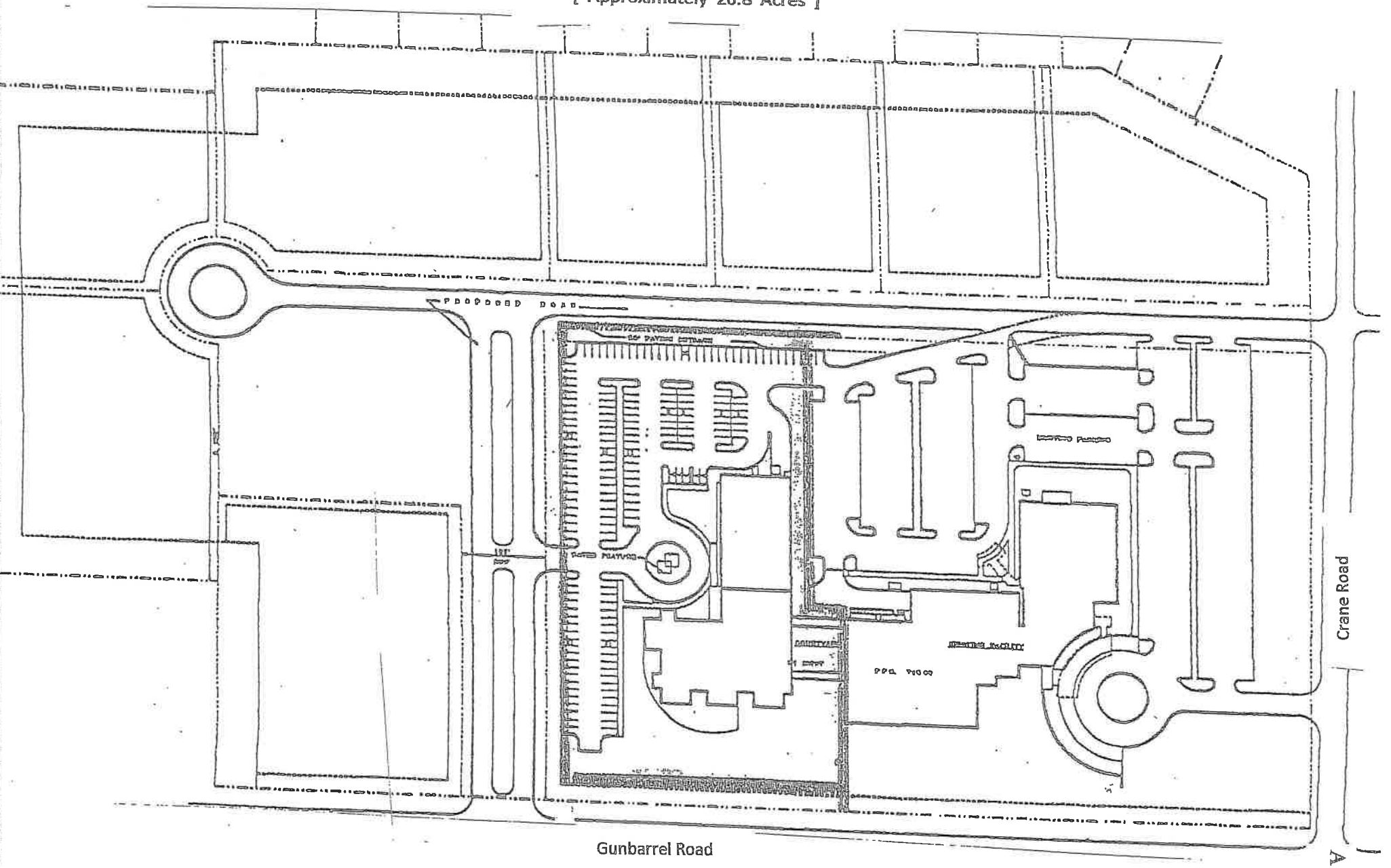
Enc.

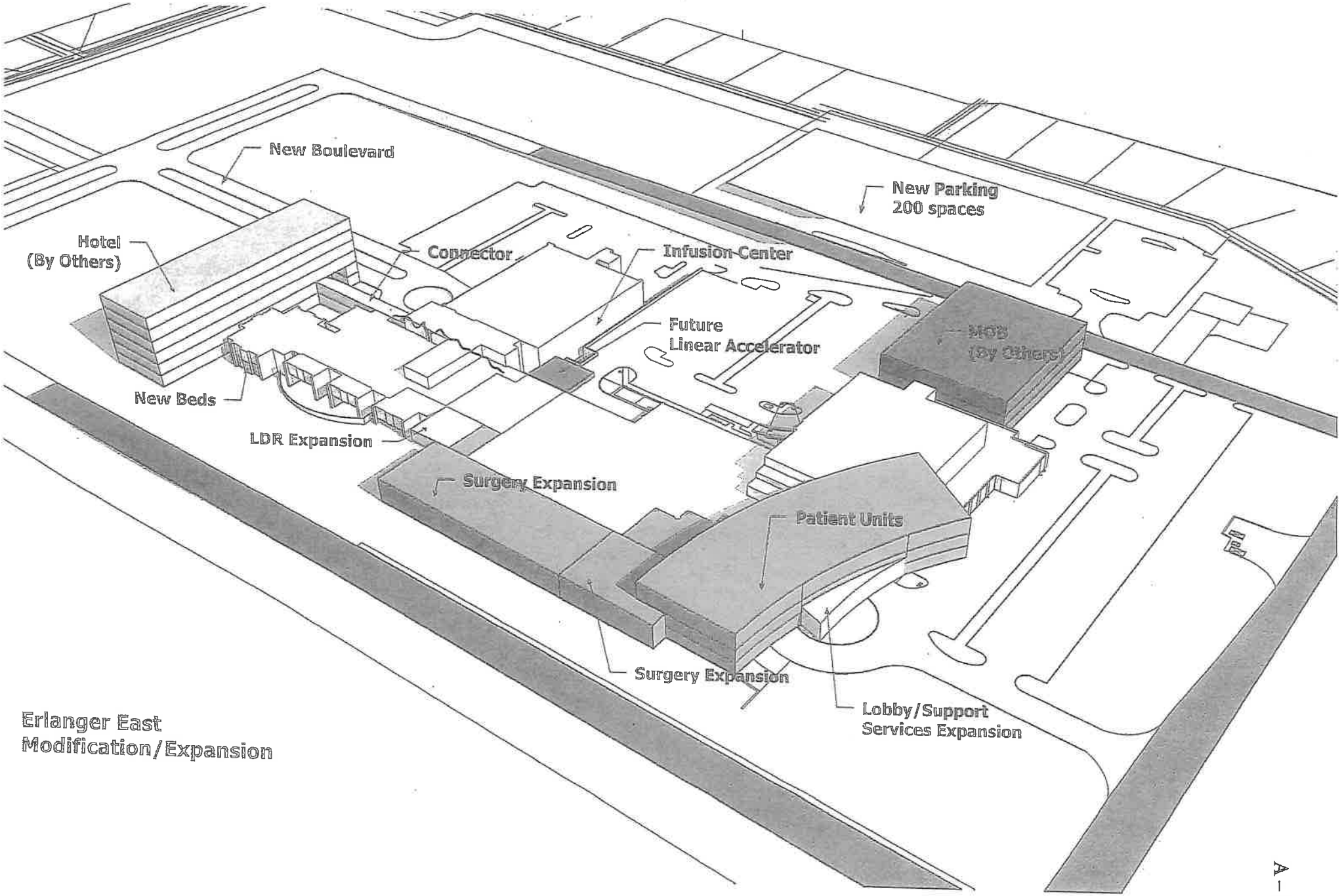
Square Footage & Cost Per Square Footage Chart

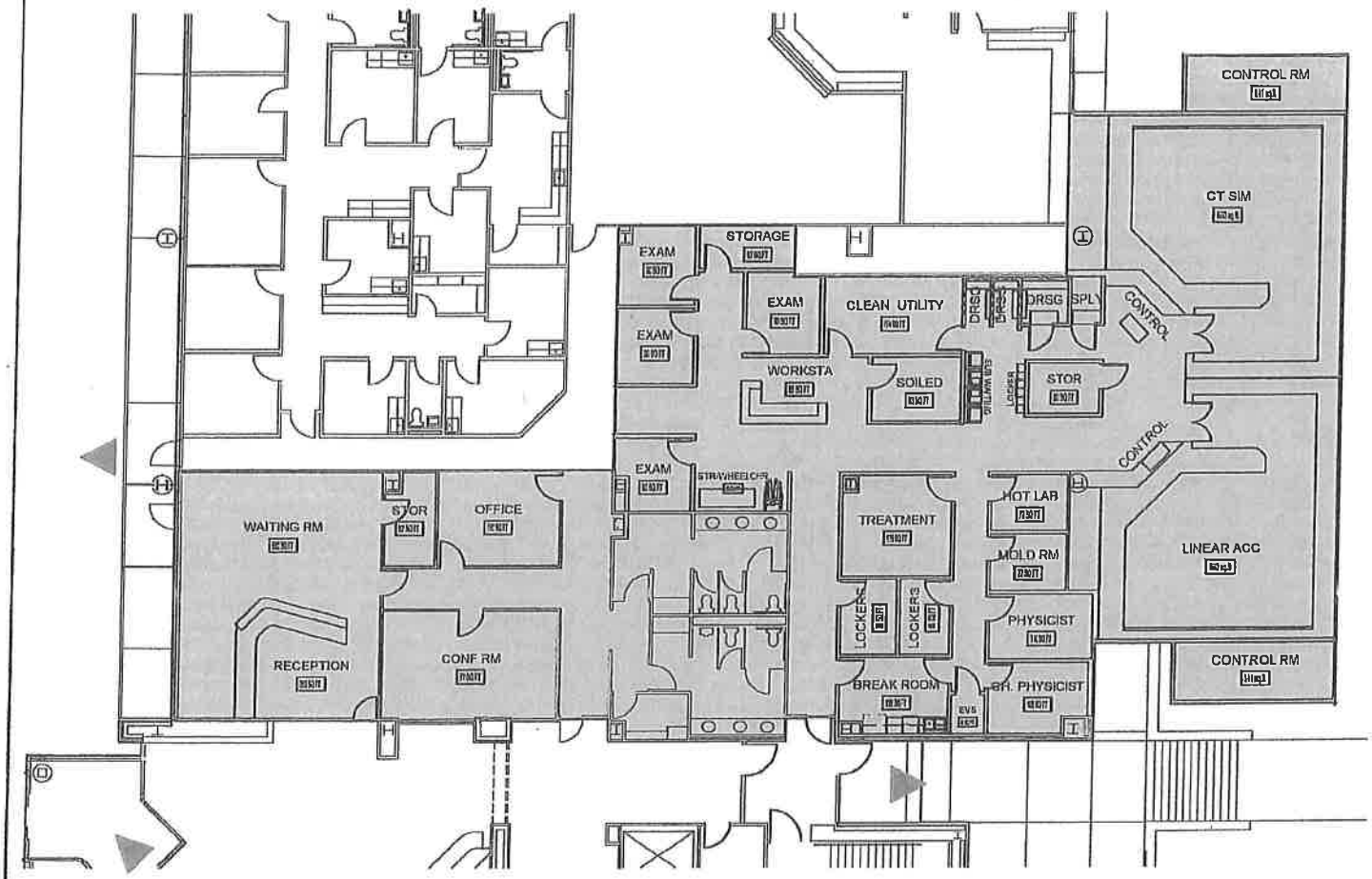
A. - Unit / Department	Existing Location	Existing SF	Temporary Location	Proposed Final Location	= Proposed Final Square Footage = Renovated	New	Total	== Proposed Final Cost Per SF === Renovated	New	Total
Inpatient Pharmacy	Ground Floor - Women's POB	1,200		2nd Floor - POB 2	1,200	0	1,200			
Outpatient Pharmacy	Ground Floor - Women's POB	1,600		2nd Floor - POB 2	1,600	0	1,600			
Erlanger East Radiation Therapy Center				Ground Floor - Women's POB	5,220	2,176	7,396			
B. - Unit/Dept. GSF - Sub-Total										
C. - Mechanical/Electrical GSF										
D. - Circulation/Construction GSF										
E. - Total GSF		2,800			8,020	2,176	10,196			

ERLANGER EAST HOSPITAL

[Approximately 26.8 Acres]




New Boulevard
New Parking
200 spaces
Hotel
(By Others)
Connector
Infusion Center
Future
Linear Accelerator
MOB
(By Others)
New Beds
LDR Expansion
Surgery Expansion
Patient Units
Surgery Expansion
Lobby/Support
Services Expansion
Erlanger East
Modification/Expansion



PROPOSED FLOOR PLAN - SD1

Radiation Therapy Center

Scale: N.T.S.

erlanger Health System

975 East Third Street, Chattanooga, TN 37403

ERLANGER EAST CAMPUS
Radiation Therapy Center

PROJECT NO: 459600

DATE: 11/24/14

SHEET NO:

SUP-A1.2

LAWYERS TITLE AND ESCROW, INC.
DOME BUILDING
736 Georgia Avenue
Chattanooga, Tn. 37402
(615) 756-4154

WARRANTY DEED

Prepared by:
ROBERT L. BROWN, Attorney
100 Dome Building
736 Georgia Avenue
Chattanooga, Tn. 37402

A – 20

BOOK 3553 PAGE 712

FILE NO. 880536
crs

DATE: November 15, 1988

THIS INDENTURE between

JAMES C. HUDSON, JR. AND WIFE, SHARON D. HUDSON,

as party or parties of the first part, hereinafter called Grantor, and

CHATTANOOGA-HAMILTON COUNTY HOSPITAL AUTHORITY, A GOVERNMENTAL HOSPITAL AUTHORITY,

as party or parties of the second part, hereinafter called Grantee (the words "Grantor" and "Grantee" to include the parties named herein and their respective heirs, successors and assigns);

WITNESSETH that Grantor, for and in consideration of the sum of One Dollar and other good and valuable considerations, the receipt whereof is hereby acknowledged, does hereby convey to Grantee in fee simple, the following described property:

All that tract or parcel of land lying and being in the City of Chattanooga, Hamilton County, Tennessee, being a part of the Northwest Quarter of Section 14, Township 2, South, Range 3, West of the Basis Line, Ocoee District and being more particularly described as: Beginning at the intersection of the southern right-of-way of Crane Road (allowing for a width of 50 feet) with the western line of Gunbarrel Road; thence South 23 degrees 00 minutes 35 seconds West along said western right-of-way 1313.76 feet to a point; thence North 66 degrees 22 minutes West 934.73 feet to the southeast corner of Lot 14, Eastover Acres Subdivision, as shown by plat recorded in Plat Book 24, Page 40, in the Register's Office of Hamilton County, Tennessee; thence along the eastern line of Eastover Acres Subdivision, North 22 degrees 56 minutes East 1071.8 feet to a point; thence along the southeastern line of Eastover Acres Subdivision, North 48 degrees 55 minutes East 267.6 feet to a point on the southern right-of-way of Crane Road; thence along said southern right-of-way of Crane Road, South 66 degrees 22 minutes East 819.24 feet to the point of Beginning. Said tract containing 27.89 acres as shown on survey by Alfred L. allen dated October, 1987.

Being the same property conveyed by deeds recorded in Bok 2090, Page 227 and Book 3444, Page 417, said Register's Office.

This conveyance is made subject only to the following:

Sewer easement to City of Chattanooga, recorded in Book 2448, Page 305, said Register's Office.

Utility easement, the center line of which runs along the eastern and southeastern lines of Eastover Acres, as shown by plat recorded in Plat Book 24, Page 40, said Register's Office.

Anchor easement in the southwest corner of the property as shown on said plat.

Address of Grantee	Mail Tax Notice to	Map Parcel No.
Sr. Vice President - Finance Chattanooga-Hamilton County Hospital Authority	SAME	158D-G-27

TO HAVE AND TO HOLD said property and all rights appurtenant thereto, to Grantee forever in FEE SIMPLE.

Grantor warrants that Grantor is lawfully seized and possessed of said property, has full power and lawful authority to convey same, that Grantor's title is marketable, clear, free and unencumbered except as set forth herein, and that Grantor will forever defend the right and title to said property unto Grantee against the claims of all persons whomsoever.

IN WITNESS WHEREOF, Grantor has signed and sealed this Deed the day and year above written.

James C. Hudson, Jr.

Sharon D. Hudson

NO TRANSFER TAX DUE
SARAH P. DeFRIESE
County Register

F 3 4 4 5

IDENTIFICATION REFERENCE.

Nov 15 2 03 PM '88

SARAH P. DeFRIESE
REGISTER
HAMILTON COUNTY
STATE OF TENNESSEE

11/15/88 CONV 1,255,050.00 ✓
11/15/88 W/DD 8.00 **8.00 B

STATE OF TENNESSEE COUNTY OF HAMILTON

Before me, the undersigned Notary Public of the state and county aforesaid, personally appeared James C. Hudson, Jr. and wife, Sharon D. Hudson the within named bargainor, with whom I am personally acquainted, or proved to me on the basis of satisfactory evidence, and who acknowledged that they executed the within instrument for the purposes therein contained.

WITNESS my hand, at office, this 15th day of November 19 88.

Date of Expiration of Commission: 8-12-89

Robert L Brown
Notary Public (SEAL)

STATE OF _____ COUNTY OF _____

Before me, the undersigned Notary Public of the state and county aforesaid, personally appeared _____, with whom I am personally acquainted, or proved to me on the basis of satisfactory evidence, and who, upon oath, acknowledged himself to be the _____ of the _____, the within named bargainor, a corporation, and that he, as such officer, executed the foregoing instrument for the purpose therein contained, by signing the name of the corporation by himself as such officer.

WITNESS my hand, at office, this _____ day of _____, 19____.

Date of Expiration of Commission: _____

_____
Notary Public (SEAL)

STATE OF TENNESSEE COUNTY OF HAMILTON

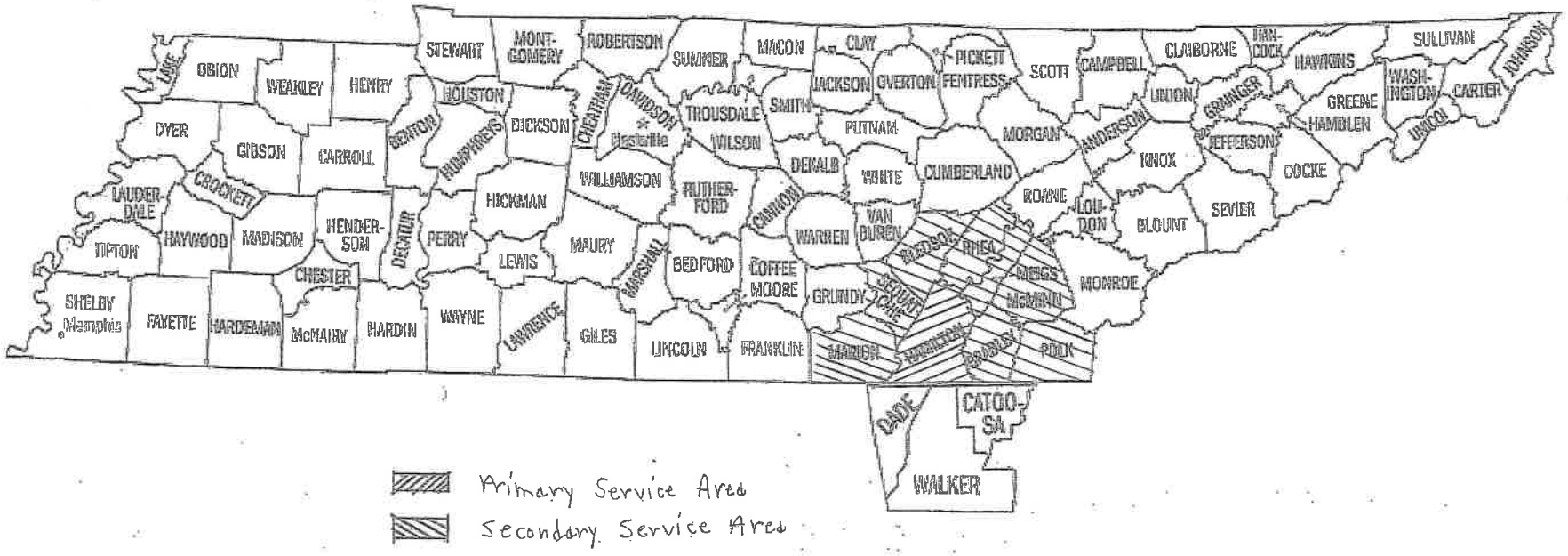
The undersigned Grantee hereby swears or affirms that the actual consideration for this transfer, or value of the property transferred, whichever is greater, is $ 1,255,050.00 which amount is equal to or greater than the amount which the property transferred would command at a fair and voluntary sale

L H. Kennedy Connell

Signed and sworn to or affirmed before me on this the 15th day of Nov 19 88

Date of Expiration of Commission 8-12-89

Robert L. Brown
Notary Public (SEAL)


LAKE
OBION
WEAKLEY
HENRY
STEWART
MONT-GOMERY
ROBERTSON
SUMNER
MACON
CLAY
PICKETT
SCOTT
CAMPBELL
CLAIBORNE
HAN-COCK
HAWKINS
SULLIVAN
JOHNSON
CARTER
WASH-INGTON
UNICOI
GREENE
HAMBLEN
GRAINGER
UNION
JACKSON
OVERTON
FENTRESS
SMITH
TROUSDALE
DAVIDSON
CHEATHAM
HOUSTON
DICKSON
BENTON
HUMPHREYS
DYER
GIBSON
CARROLL
CROCKETT
LAUDER-DALE
TIPTON
HAYWOOD
MADISON
HENDER-SON
CHESTER
DECATUR
PERRY
HICKMAN
WILLIAMSON
RUTHER-FORD
WILSON
PUTNAM
MORGAN
ANDERSON
KNOX
JEFFERSON
COCKE
DEKALB
WHITE
CUMBERLAND
ROANE
LOU-DON
BLOUNT
SEVIER
CANNON
WARREN
VAN BUREN
BLEDSOE
RHEA
MEIGS
MONROE
LEWIS
MAURY
MARSHALL
BEDFORD
COFFEE
MOORE
GRUNDY
SEQUATCHIE
McMINN
SHELBY
Memphis
FAYETTE
HARDEMAN
McNAIRY
HARDIN
WAYNE
LAWRENCE
GILES
LINCOLN
FRANKLIN
MARION
HAMILTON
BRADLEY
POLK
DADE
CATOO-SA
WALKER
Primary Service Area
Secondary Service Area

erlanger

December 2, 2014

Ms. Melanie M. Hill, Executive Director
Tennessee Health Services & Development Agency
Andrew Jackson Building, 9th Floor
502 Deadrick Street
Nashville, TN 37243

RE: Linear Accelerator
Erlanger East Hospital

Dear Ms. Hill,

This letter serves to confirm Erlanger's intent to cover the cost of the new Linear Accelerator of $ 10,532,560 with funds from operations; subject to CON approval as well as approval of the Chattanooga-Hamilton County Hospital Authority.

Please let me know if you have any questions or need further information. Thank you for your consideration.

Sincerely,

J. Britton Tabor, CPA
Executive Vice President
Chief Financial Officer

erlanger

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Executive Vice President
Chief Financial Officer

EHS – Analysis Of Average Inpatient Charges
For CY 2013

	Erlanger Med Ctr	Memorial Hosp	Parkridge Med Ctr	Erlanger East	Memorial Hosp-Hixson	Parkridge East Hosp
Adverse Effects	23,632	24,363	25,768		20,302	26,192
Back & Spine	56,372	62,321	77,068		19,805	63,991
Burns	41,854		79,165			18,129
Cardiac Surgery	121,317	124,382	187,761			
Dermatology	12,638	18,047	22,945		15,063	22,421
Electrophysiology / Devices	68,224	64,498	137,067		33,055	106,849
Endocrinology	16,973	20,382	34,172		15,515	30,963
Gastroenterology	20,922	23,279	37,279	7,649	19,865	31,826
General Cardiology	20,092	23,017	33,878		20,564	32,532
General Surgery	56,962	44,511	72,165	44,632	33,317	44,307
Gynecology	30,925	34,881	41,628	22,990	19,142	27,419
Hematology	18,019	25,238	55,193		24,342	38,090
HIV Infection	43,118	36,835	38,690		17,866	42,950
Infectious Diseases	48,905	48,026	78,291		29,658	67,501
Invasive Cardiology	46,338	43,668	89,668		33,878	84,705
Neonatology	57,502			10,439		45,521
Nephrology	19,648	24,320	35,305	11,355	19,051	31,393
Neurology	27,860	25,879	36,859		22,363	33,884
Neurosurgery	69,488	35,049	49,150		29,527	39,255
Obstetrics	11,227	12,221	8,801	7,956	5,393	13,730
Oncology	27,498	35,313	59,406		23,053	53,594
Ophthalmology	19,265	17,105	40,009		12,855	30,541
Oral Surgery	15,522	16,295	20,298		14,870	23,542
Orthopedics	45,886	40,948	51,258	39,291	37,175	49,102
Other	69,279	49,940	104,685	19,106	52,845	57,632
Otolaryngology	27,603	22,553	22,753		13,316	34,818
Plastic Surgery	48,458	33,725	49,094		23,011	79,799
Psychiatry	16,521	16,554	41,849		19,930	29,693
Pulmonary Medicine	70,570	40,588	54,690		27,048	45,488
Rehabilitation			59,765			
Rheumatology	26,923	28,367	35,702		11,344	85,627
Signs & Symptoms	15,456	19,239	30,847		14,499	34,786
Substance Abuse	17,311	20,504	35,410		17,257	32,229
Thoracic Surgery	43,438	55,261	81,953		18,872	61,596
Transplant Surgery	133,754	297,366	#DIV/0!			
Urology	35,591	37,434	46,512	25,739	20,161	29,775
Vascular Diseases	16,605	20,754	28,747		13,739	26,520
Vascular Surgery	67,895	75,014	100,399		48,503	106,824
Total	37,396	40,269	61,289	9,085	25,131	29,292

Source: EHS Planning

9/9/2014 2:

Vendor (Other Party)	Contract Type	Effective Date	Expiration Date	Description
Sweetwater Dialysis Center	Patient Transfer Agreement	6/19/2009	Evergreen	Provide Renal Transplantation and other services to Clinic patients
Harbin Clinics LLC	Patient Transfer Agreement	10/16/2012	10/15/2014	Renal Transplant Patient Transfer
Dialysis Clinic, Inc	Patient Transfer Agreement	3/23/1998	Evergreen	DCI Patient Transfer Agreements (all facilities -- see attachments)
Rhea County Medical Center	Patient Transfer Agreement	9/1/1989	Evergreen	Renal Transplant Services (Transfer)
Chattanooga Kidney Centers, LLC and Chattanooga Kidney Centers 58, LLC and Chattanooga Kidney Centers North, LLC and Kidney Center of Missionary Ridge	Patient Transfer Agreement	10/10/2011	10/9/2014	Renal Transplant Patient Transfer Agreement
Kindred Hospital	Patient Transfer Agreement	10/1/2001	Evergreen	Patient Transfer Agreement
Life Care Center of Collegedale	Patient Transfer Agreement	1/1/1995	Evergreen	Patient Transfer Agreement
Marshall Medical Center North	Patient Transfer Agreement	2/1/2000	Evergreen	Pediatric Patient Transfer
Life Care Center of Red Bank	Patient Transfer Agreement	1/1/1995	Evergreen	Patient Transfer Agreement
Tender Loving Care	Patient Transfer Agreement	1/1/1995	Evergreen	Hospice Transfer
LaFayette Health Care	Patient Transfer Agreement	1/31/1995	Evergreen	Patient Transfer Agreement
Jefferson Memorial Hospital	Patient Transfer Agreement	10/22/2004	Evergreen	Patient Transfer Agreement
Mountain Creek Manor	Patient Transfer Agreement	1/20/1995	Evergreen	Patient Transfer Agreement
Murphy Medical Center	Patient Transfer Agreement	4/1/2000	Evergreen	Pediatric Patient Transfer Agreement
Northside Hospital	Patient Transfer Agreement	4/10/1992	Evergreen	Patient Transfer Agreement
Renaissance Rehabilitation	Patient Transfer Agreement	4/26/1990	Evergreen	Patient Transfer Agreement
Rivermont Convalescent Center	Patient Transfer Agreement	1/25/1995	Evergreen	Patient Transfer
The Health Center at Standifer Place	Patient Transfer Agreement	6/18/2012	6/17/2015	Patient Transfer
Shepherd Hills Health Care Center	Patient Transfer Agreement	1/25/1995	Evergreen	Patient Transfer Agreement
Methodist Medical Center	Patient Transfer Agreement	2/6/2002	Evergreen	Patient Transfer Agreement
Brookewood Medical Center	Patient Transfer Agreement	6/27/2012	6/26/2015	Patient Transfer Agreement
Continuum Care Corporation d/b/a Spring City Health Care Center	Patient Transfer Agreement	2/1/1999	Evergreen	Patient Transfer Agreement
Bledsoe Community Medical Center	Patient Transfer Agreement	6/27/2012	6/26/2015	Patient Transfer
The University of Tennessee Medical Center	Patient Transfer Agreement	5/29/2002	Evergreen	Patient Transfer Agreement
Erlanger Bledsoe	Patient Transfer Agreement	10/1/2001	Evergreen	Patient Transfer Agreement
Cookeville Regional Medical Center	Patient Transfer Agreement	2/10/2010	Evergreen	Patient Transfer Agreement
Scott County Hospital	Patient Transfer Agreement	1/11/2001	Evergreen	Patient Transfer Agreement

Wellmont Health Systems	Patient Transfer Agreement	6/30/2001	Evergreen	Patient Transfer Agreement
Laughlin Memorial Hospital, Inc	Patient Transfer Agreement	11/23/2011	11/22/2014	Patient Transfer Agreement
Fort Sanders Park West Medical Center	Patient Transfer Agreement	10/22/1999	Evergreen	Patient Transfer Agreement
Ft Oglethorpe Nursing Home	Patient Transfer Agreement	1/12/2012	1/11/2015	Patient Transfer Agreement
Johnson City Medical Center	Patient Transfer Agreement	5/29/2002	Evergreen	Patient Transfer Agreement
Life Care Center of Chattanooga	Patient Transfer Agreement	1/25/1995	Evergreen	Patient Transfer Agreement
St Barnabas Nursing Home	Patient Transfer Agreement	1/25/1995	Evergreen	Patient Transfer Agreement
North Jackson Hospital	Patient Transfer Agreement	2/1/2000	Evergreen	Pediatric Patient Transfer Agreement
National Health Care of Rossville	Patient Transfer Agreement	5/17/2012	Evergreen	Patient Transfer Agreement
National Health Care of Fort Oglethorpe	Patient Transfer Agreement	5/22/2012	Evergreen	Patient Transfer Agreement
National Healthcare of Dunlap	Patient Transfer Agreement	6/20/2012	6/19/2015	Patient Transfer Agreement
National Health Care of Athens	Patient Transfer Agreement	5/15/2012	Evergreen	Patient Transfer Agreement
Shriners Hospitals for Children	Patient Transfer Agreement	7/1/2000	Evergreen	Pediatric Patient Transfer Agreement
Rhea Medical Center	Patient Transfer Agreement	2/6/2002	Evergreen	Patient Transfer Agreement
Siskin Hospital for Physical Rehabilitation	Patient Transfer Agreement	2/9/1990	Evergreen	Shared Services
Alexian Village of Chattanooga	Patient Transfer Agreement	1/1/1995	Evergreen	Patient Transfer Agreement
Blount Memorial Hospital	Patient Transfer Agreement	2/7/2001	Evergreen	Pediatric Patient Transfer Agreement
Columbia Indian Path Medical Center	Patient Transfer Agreement	1/13/1997	Evergreen	Patient Transfer Agreement
Columbia East Ridge Hospital	Patient Transfer Agreement	3/31/1998	Evergreen	Pediatric Patient Transfer Agreement
East Ridge Hospital	Patient Transfer Agreement	10/22/1996	Evergreen	Patient Transfer Agreement
NovaMed Eye and Laser Surgery, Center of	Patient Transfer Agreement	6/27/2002	Evergreen	Patient Transfer Agreement
Jamestown Regional Medical Center, f/k/a Fentress County Hospital	Patient Transfer Agreement	5/14/2012	Evergreen	Patient Transfer Agreement
Healthsouth Chattanooga Surgery Center	Patient Transfer Agreement	4/13/1999	Evergreen	Patient Transfer Agreement
Harton Regional Medical Center	Patient Transfer Agreement	12/8/2011	12/7/2014	Patient Transfer Agreement
St Mary's Health System, Inc	Patient Transfer Agreement	4/1/2003	Evergreen	Patient Transfer Agreement
Riverview Regional Medical Center North, f/k/a Smith County Hospital	Patient Transfer Agreement	12/5/2011	12/4/2014	Patient Transfer Agreement
Redmond Regional Medical Center	Patient Transfer Agreement	1/17/2012	1/16/2015	Patient Transfer Agreement
Murray Medical Center	Patient Transfer Agreement	12/5/2011	12/4/2014	Patient Transfer Agreement
Medical Center of Manchester	Patient Transfer Agreement	4/19/2012	4/18/2015	Patient Transfer Agreement
Lincoln County Health System	Patient Transfer Agreement	11/30/2011	11/29/2014	Patient Transfer Agreement
Hamilton Medical Center	Patient Transfer Agreement	11/22/2011	11/21/2014	Patient Transfer

Fannin Regional Hospital	Patient Transfer Agreement	6/18/2012	6/17/2015	Patient Transfer
Cumberland Medical Center, Inc	Patient Transfer Agreement	12/2/2011	12/1/2014	Patient Transfer
Copper Basin Medical Center	Patient Transfer Agreement	12/1/2011	11/30/2014	Patient Transfer Agreement
Chatuge Regional Hospital	Patient Transfer Agreement	12/1/2011	11/30/2014	Patient Transfer Agreement
Highlands Medical Center	Patient Transfer Agreement	4/25/2012	12/31/2014	Patient Transfer Agreement
Gordon Hospital	Patient Transfer Agreement	7/1/2012	Evergreen	Patient Transfer Agreement
Chattanooga Rehabilitation Hospital	Patient Transfer Agreement	7/25/2012	7/24/2015	Patient Transfer Agreement
Vanderbilt University Medical Center	Patient Transfer Agreement	7/1/2008	Evergreen	Burn Patient Transfer
Physician Surgery Center of Chattanooga	Patient Transfer Agreement	4/2/2012	Evergreen	Patient Transfer
Parkridge Medical Center	Patient Transfer Agreement	5/18/2012	Evergreen	Patient Transfer
Renaissance Surgery Center	Patient Transfer Agreement	2/16/2012	2/15/2015	Patient Transfer Agreement
East Tennessee Regional Hospitals	Patient Transfer Agreement	9/23/2014	Evergreen	Disaster Aid Agreement (Memorial Health Care; Parkridge Medical Center, Inc; Southern Tennessee Medical Center/Emerald Hodgson Hospital; Copper Basin Medical Center; Athens Regional Medical Center/Woods Memorial Hospital; Grandview Medical Center; Rhea Medical Center; Skyridge Medical Center)

Board for Licensing Health Care Facilities

State of Tennessee

0000000140

No. of Beds 0788

DEPARTMENT OF HEALTH

This is to certify, that a license is hereby granted by the State Department of Health to

CHATTANOOGA-HAMILTON COUNTY HOSPITAL AUTHORITY *to conduct and maintain a*

Hospital ERLANGER MEDICAL CENTER

Located at 975 EAST THIRD STREET, CHATTANOOGA

County of HAMILTON *, Tennessee.*

This license shall expire JUNE 04 , 2015 , *and is subject to the provisions of Chapter 11, Tennessee Code Annotated. This license shall not be assignable or transferable, and shall be subject to revocation at any time by the State Department of Health, for failure to comply with the laws of the State of Tennessee or the rules and regulations of the State Department of Health issued thereunder.*

In Witness Whereof, we have hereunto set our hand and seal of the State this 4TH *day of* JUNE , 2014 .

In the Distinct Category(ies) of: GENERAL HOSPITAL
PEDIATRIC OPRC HOSPITAL
TRAUMA CENTER LEVEL 1

By _____, MPH
DIRECTOR, DIVISION OF HEALTH CARE FACILITIES

By _____, MD
COMMISSIONER

DCF013

The Joint Commission

July 8, 2014

Re: # 7809
CCN: #440104
Program: Hospital
Accreditation Expiration Date: April 05, 2017

Kevin M. Spiegel
President and CEO
Erlanger Health System
975 East Third Street
Chattanooga, Tennessee 37403

Dear Mr. Spiegel:

This letter confirms that your March 31, 2014 - April 04, 2014 unannounced full resurvey was conducted for the purposes of assessing compliance with the Medicare conditions for hospitals through The Joint Commission's deemed status survey process.

Based upon the submission of your evidence of standards compliance on June 20, 2014 and June 27, 2014 and the successful on-site Medicare Deficiency Follow-up event conducted on May 19, 2014, the areas of deficiency listed below have been removed. The Joint Commission is granting your organization an accreditation decision of Accredited with an effective date of April 05, 2014. We congratulate you on your effective resolution of these deficiencies.

§482.12 Governing Body
§482.41 Physical Environment
§482.42 Infection Control

The Joint Commission is also recommending your organization for continued Medicare certification effective April 05, 2014. Please note that the Centers for Medicare and Medicaid Services (CMS) Regional Office (RO) makes the final determination regarding your Medicare participation and the effective date of participation in accordance with the regulations at 42 CFR 489.13. Your organization is encouraged to share a copy of this Medicare recommendation letter with your State Survey Agency.

This recommendation applies to the following locations:

Academc Internal Medicine and Endocrinology
979 E. Third Street, Suite B-601, Chattanooga, TN, 37403

Academic Gastroenterology
979 East Third Street, Suite C-825, Chattanooga, TN, 37403

Academic Urologist at Erlanger
979 East Third Street, Suite C - 535, Chattanooga, TN, 37403

Headquarters
One Renaissance Boulevard
Oakbrook Terrace, IL 60181
630 792 5000 Voice

Alton Park (Southside) Community Health Center
100 East 37th Street, Chattanooga, TN, 37410

Dodson Avenue Community Health Center
1200 Dodson Avenue, Chattanooga, TN, 37406

Erlanger Academic Urologists
1755 Gunbarrel Road, Suite 209, Chattanooga, TN, 37421

Erlanger at Volkswagon Drive Wellness Center
7380 Volkswagon Drive, Suite 110, Chattanooga, TN, 37416

Erlanger East Family Practice
1755 Gunbarrel Road, Suite 201, Chattanooga, TN, 37421

Erlanger East Imaging
1751 Gunbarrel Road, Chattanooga, TN, 37421

Erlanger Health System - East Campus
1751 Gunbarrel Road, Chattanooga, TN, 37421

Erlanger Health System - Main Site
975 East Third Street, Chattanooga, TN, 37403

Erlanger Health System - North Campus
632 Morrison Springs Road, Chattanooga, TN, 37415

Erlanger Hypertension Management Center
979 East Third Street, Suite B601, Chattanooga, TN, 37403

Erlanger Metabolic and Bariatric Surgery Center
979 E. Third Street Suite C-620, Chattanooga, TN, 37403

Erlanger Neurology/Southeast Regional Stroke Center
979 East Third Street, Suite C830, Chattanooga, TN, 37403

Erlanger North Family Practice, Neurobehavioral & Memory Svs
632 Morrison Springs Road, Suite 202, Chattanooga, TN, 37415

Erlanger North Sleep Medicine and Neurology
632 Morrison Springs Road, Suite 300, Chattanooga, TN, 37415

Erlanger South Family Practice
60 Erlanger Drive, Suite A, Ringgold, GA, 30736

Erlanger Specialty Care for OB and Peds
1504 North Thornton Avenue, Suite 104, Dalton, GA, 30720

Hypertension Management - Chattanooga Lifestyle Center
325 Market Street, Suite 200, Chattanooga, TN, 37401

Life Style Center - Cardiac Rehab
325 Market Street, Chattanooga, TN, 37401

Ortho South
979 East Third Street suite C 430, Chattanooga, TN, 37403

Southern Orthopaedic Trauma Surgeons
979 East Third Street Suite C-225, Chattanooga, TN, 37403

TCT Cardiology/GI/Genetics
910 Blackford Street - 3rd Fl Massoud, Chattanooga, TN, 37403

TCT Children's Subspecialty Center
2700 West Side Drive, Cleveland, TN, 37312

TCT Endocrine
910 Blackford, 1st fl Massoud, Chattanooga, TN, 37403

TCT Hematology/Oncology
910 Blackford Street - 5th fl Massoud Bl, Chattanooga, TN, 37403

TCT Nephrology
910 Blackford St, Ground Level, TCTCH, Chattanooga, TN, 37403

University Health Obstetrics & Gynecology
979 East Third Street, Suite C-725, Chattanooga, TN, 37403

University Medical Assoc
960 East Third Street, Whitehall Building, Suite 208, Chattanooga, TN, 37403

University Orthopedics
979 East Third Street, Suite C-220, Chattanooga, TN, 37403

University Pediatrics
910 Blackford Street - Gr floor Massoud, Chattanooga, TN, 37403

University Pulmonary and Critical Care
979 East Third Street, Suite C 735, Chattanooga, TN, 37403

University Rheumatology Associates
979 East Third Street, Suite B-805, Chattanooga, TN, 37403

UT Dermatology
979 East Third Street, - Suite 425 A - Med Mall, Chattanooga, TN, 37403

UT Erlanger Cardiology
975 East Third Street, Suite C-520, Chattanooga, TN, 37403

UT Erlanger Cardiology East
1614 Gunbarrel Road, Ste 101, Chattanooga, TN, 37421

Ut Erlanger Health & Wellness@Signal Mtn
2600 Taft Highway, Signal Mountain, TN, 37377

UT Erlanger Lookout Mtn Primary Care
100 McFarland Road, Lookout Mountain, GA, 30750

UT Erlanger Primary and Athletic Health
1200 Pineville Road, Chattanooga, TN, 37405

UT Family Practice
1100 East Third Street, Chattanooga, TN, 37403

Workforce at UT Family Practice
1100 East 3rd Street, Chattanooga, TN, 37403

We direct your attention to some important Joint Commission policies. First, your Medicare report is publicly accessible as required by the Joint Commission's agreement with the Centers for Medicare and Medicaid Services. Second, Joint Commission policy requires that you inform us of any changes in the name or ownership of your organization, or health care services you provide.

Sincerely,

Mark Pelletier

Mark G. Pelletier, RN, MS
Chief Operating Officer
Division of Accreditation and Certification Operations

cc: CMS/Central Office/Survey & Certification Group/Division of Acute Care Services
CMS/Regional Office 4 /Survey and Certification Staff

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

Final

PRINTED: 11/18/2014
FORM APPROVED
OMB NO. 0938-0391

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	440104	A. BUILDING _____ B. WING _____	C 05/13/2014

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
ERLANGER MEDICAL CENTER	975 E 3RD ST CHATTANOOGA, TN 37403

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE
A 000	INITIAL COMMENTS On May 13, 2014, investigation of EMTALA complaint TN-33779 was completed. Erlanger Medical Center was found out of compliance with Requirements for the Responsibilities of Medicare Participating Hospitals in Emergency Cases 42 CRT Part 489.20 and 42 CFR 489.24. The administrator was notified via overnight mail on November 18, 2014 that a 90 day termination track would be imposed. The termination date is February 16, 2015.	A 000		
A2400	489.20(l) COMPLIANCE WITH 489.24 [The provider agrees,] in the case of a hospital as defined in §489.24(b), to comply with §489.24. This STANDARD is not met as evidenced by: Based on medical record review, review of facility policy, review of Medical Staff Rules and Regulations, and interview, the facility failed to provide appropriate transfers for four patients (#7, #8, #9, and #11). The findings included: Refer to A-2401 for failure to report receipt of an inappropriate transfer. Please refer to A-2402 for failure to conspicuously post signs. Please refer to A-2409 for failure to provide appropriate transfer.	A2400		
A2401	489.20(m),RECEIVING AN INAPPROPRIATE TRANSFER [The provider agrees,] in the case of a hospital as	A2401		

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE | TITLE | (X6) DATE

Any deficiency statement ending with an asterisk (*) denotes a deficiency which the institution may be excused from correcting providing it is determined that other safeguards provide sufficient protection to the patients. (See instructions.) Except for nursing homes, the findings stated above are disclosable 90 days following the date of survey whether or not a plan of correction is provided. For nursing homes, the above findings and plans of correction are disclosable 14 days following the date these documents are made available to the facility. If deficiencies are cited, an approved plan of correction is requisite to continued program participation.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

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A2401	Continued From page 1 defined in §489.24(b), to report to CMS or the State survey agency any time it has reason to believe it may have received an individual who has been transferred in an unstable emergency medical condition from another hospital in violation of the requirements of §489.24(e). This STANDARD is not met as evidenced by: Based on review of facility policy, medical record review, and interview, the facility failed to report receipt of a patient transferred in an unstable emergency medical condition from the facility's East campus (Hospital #1) to the hospital's primary location (main campus - Hospital #2), a distance of 10.2 miles, for one patient (#7) of sixteen patients reviewed. The findings included: Review of facility policy titled "Transfers...PC.074" most recently revised in February, 2012, revealed, "...To establish guidelines for transferring patient within a facility, to an alternative level of care, or to another acute care facility while assuring medically appropriate continuity of care and compliance with EMTALA (Emergency Medical Treatment and Active Labor Act) regulation...The transferring physician determines the method of patient transport and the amount of support that will be needed during transport..." Review of a policy titled "(Facility) East Emergency Services Scope of Services" revealed, "Origination Date: 3/14" and the approval date was blank, indicating it had not been approved by the Medical Staff or the Governing Body.	A2401		

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A2401	Continued From page 2 Review of facility policy for the hospital's main campus titled "Emergency Department Scope of Services Number: EMS.280" most recently revised in March, 2010, revealed, "...An Emergency Medical Condition is defined as a medical condition manifesting itself by acute symptoms of sufficient severity such that the absence of prompt and appropriate medical attention could result in...placing the health or safety of the patient or unborn child in serious jeopardy...The following conditions are declared to be emergency conditions by statute and regulation ...pregnancy with contractions present...Evaluation, management, and treatment of patients is appropriate and expedient...Immediate evaluation and stabilization, to the degree reasonably possible, will be available for each patient who presents with an emergency medical condition...Patients are to be transported to the nearest appropriate ED (emergency department) in accordance with applicable laws, regulations, and guidelines...All transfers will comply with local, state, and federal laws..." Review of an Emergency Room Log dated April 2, 2014, revealed Patient #7 presented to the facility's East campus with complaint of Vaginal Bleeding. Medical record review of a Triage note dated April 2, 2014, revealed, "...(6:37 a.m.) Complaint: Vaginal bleeding...(6:49 a.m.) Pain level 9 (0-10)...Quality is cramping. Since yesterday...states...Is a 'couple weeks pregnant'...had a miscarriage in Jan (January) LMP (Last Menstrual Period): 11-15-2013 (history of five pregnancies, three delivered pregnancies)..."	A2401		

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A2401	Continued From page 3 Medical record review of a history and physical dated April 2, 2014, at 7:14 a.m., revealed, "pt (patient) w/ (with) abd (abdominal) pain. lmp (last mentrual period) 11/5/13. thought she had miscarriage in January due to heavy bleeding and passing tissue. Was told last week that she is pregnant again. now having severe cramps. had some light bleeding past 2 days. today no bleeding but severe cramps. vomit x (times) 2. no diarrhea. no urinary sx (symptoms). no fever...Sudden onset of symptoms, Symptoms are worsening, are constant. Maximum severity of symptoms severe, Currently symptoms are severe. In my professional medical judgment...this patient presents with an emergency medical condition manifesting itself by acute symptoms of sufficient severity (including severe pain) that in the absence of immediate medical attention could reasonably be expected to result in placing the patient's health in serious jeopardy; serious impairment to bodily function, or serious dysfunction of a body organ...(7:18 a.m.) Abdominal exam included findings of abdomen tender, to the left upper quadrant, to the left lower quadrant, to the right lower quadrant, moderate intensity, no distension, firm uterus at umbilicus...Medical History...miscarriage x 2...cesarean section..." Medical record review of a physician's progress note dated April 2, 2014, at 7:20 a.m., revealed, "...BSUS (Bedside Ultrasound) shows IUP (Intrauterine Pregnancy) at approx 20 wks (approximately 20 weeks). Will obtain formal us (ultrasound), labs, and ob (obstetric) consult..." Medical record review of the Nursing Assessment: Continuing Assessment dated April	A2401		

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A2401	Continued From page 4 2, 2014, revealed, "...(7:24 a.m.) per pt she miscarried in January at home and was never seen by OBGYN (Obstetrician/Gynecologist) to confirm. Pt sts (states) she was seen by OBGYN recently, but could not give specific day or date, and was told her blood pregnancy test was positive. Pt sts she is 'a couple of weeks pregnant'...patient appears, restless, uncomfortable...(7:40 a.m.) pt rates pain 8 on a scale of 1-10. MD notified new medication order received...(8:12 a.m.) States worsening pain, pt still c/o pain an 8 on a scale of 1-10. MD notified and new medication order received...Patient appears restless, uncomfortable...(8:56 a.m.) States decreased pain, Patient states decreased pain, although she still rates it 7 out of 10. She is not as restless and seems in no pain distress at this time. pain is more intermittent at this time... (9:10 a.m.) States worsening pain...Patient appears, uncomfortable..." Medical record review of a physician's note dated April 2, 2014, at 8:53 a.m., revealed, "Diagnosis Final: Primary Preterm Labor." Medical record review of a nurse's note dated April 2, 2014, at 8:54 a.m., revealed, "Ambulance service contacted...Estimated time of arrival 15-20 min (minutes)." Medical record review of a nurse's note dated April 2, 2014, at 9:06 a.m., revealed, "Indocin (medication to delay labor) ordered by (Medical Doctor - M.D. #1). Pharmacy called and we do not carry that medication on this campus. MD (MD #1) aware, medication order canceled." Medical record review of a nurse's note dated April 2, 2014, at 9:14 a.m., revealed, "Transfer:	A2401		

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A2401	Continued From page 5 Reason for transfer need for specialized care, Diagnosis: preterm labor, Accepting Institution: (Hospital #2) Labor and Delivery, Accepting physician (M.D. #2)...Report called to receiving facility..." Medical record review of a Transfer Authorization dated April 2, 2014, at 9:18 a.m., revealed, "STABILITY The patient is stabilized at the time of transfer and no medical deterioration of the patient's condition is likely, within reasonable medical probability, to result from or occur during the transfer of the individual from this facility, or, with respect to a pregnant woman having contractions, the woman has delivered (including the placenta) OR The Patient is in a state of an emergency medical condition, and I hereby certify that based upon the information available to me at this time, the medical benefits reasonably expected from the provision of appropriate medical treatment at another facility, outweigh the increased risks to the individual and, in the case of labor, to the unborn child from effecting the transfer..." Review of the Transfer Authorization revealed both statements were checked. Further review revealed, "...appropriate transport service...Advanced...The receiving facility has agreed to accept the patient...Facility (Hospital #2)...accepting physician (M.D. #2)..." Continued review revealed, "...Reason for transfer: preterm labor Risk of transfer: death by MVC (motor vehicle crash) Benefits of transfer: higher level of care..." Medical record review of a physician's progress note dated April 2, 2014, at 9:22 a.m., revealed, "formal us (ultrasound) shows (20 week intrauterine pregnancy) and incompetent cervix. Discussed results (with M.D. #2 - patient's	A2401		

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A2401	Continued From page 6 obstetrician)...who rec (recommended) indomethacin (Indocin) but med (medication) unavailable here at east. due to early pregnancy pt (patient) will go emergency transport to (Hospital #2) L/D (Labor and Delivery) for OB (Obstetrician) eval (evaluation)." Medical record review of a nurse's note dated April 2, 2014, at 9:27 a.m., revealed, "Disposition: (Hospital #2) Transport: Ambulance, Patient left the department." Medical record review revealed OB did not see the patient in the ED and was not notified of Indocin being unavailable. Further medical record review revealed no documentation regarding a pelvic examination, fetal heart tones being monitored, or obtaining timing of any contractions. Review of an EMS (Emergency Medical Service) Patient Care Report dated April 2, 2014, revealed, "...Level of Care: ALS (Advanced Life Support)...At patient (9:15 a.m.)...Transport: (9:25 a.m.) At dest (destination): (9:43 a.m.)...Narrative: Dispatched emer (emergent) to (Facility) to transfer pt (patient) to (Hospital #2)...pt in premature labor...nurse advised '...they performed an ultrasound and the cervix was not even visible so they called for transfer...have given her 1 liter NS (normal saline), 8 mg (milligrams) Morphine, 0.5 Dilaudid, and 4 mg of Zofran. Pt has had no pain relief.' Further ALS asses (assessment) revealed pt was having contractions at 1-2 min's (minutes) apart, pt was not on a fetal heart rate monitor, and had no Tocolytics (medication to slow contractions) on board...continued to have contractions at 1-2 mins part, right before arrival at (Hospital #2) pt	A2401		

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DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

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A2401	Continued From page 7 stated she felt like something was coming out. Upon initial evaluation nothing was seen, but then her water broke and both the baby's feet presented toes pointing upward...pt could not push anymore, the feet were purple had no movement. By this time we were at (Hospital #2) and diverted straight to the ER (Emergency Room). Moved pt to bed...staff started to deliver baby. When baby was fully delivered it was lifeless and staff did not attempt resuscitation...pt could not sign due to staff rushing her to L&D..." Medical record review of Hospital #2's ER record dated April 2, 2014, revealed, "Complaint: 21 week ob breech presentation Triage Time...(9:47 a.m.)...Pain: 10 (0-10)...brought in by...ems (emergency medical service), transfer from (facility)...feet of fetus are visible (9:49 a.m.)...Medications prior to arrival, morphine...8 mg (milligrams), dilaudid...0.5 mg...zofran 4 mg." Medical record review of an ultrasound report dated April 2, 2014, at 9:00 a.m. (performed at the facility before transfer), revealed, "...Results: A viable intrauterine pregnancy is identified, estimated gestational age 20 weeks and 2 days. The heart rate...measures 136 beats per minute. Of note the cervical canal is poorly identified, and the cervical os appears to be abnormally dilated up to 4.2 cm (centimeters)...findings compatible with incompetent cervix. GYN (Gynecology) assessment recommended." Medical record review of a Newborn Identification record dated April 2, 2014, revealed, "...Infant's Birth Date April 2, 2014, at (9:50 a.m.) Sex male...Weight 364 gm (grams) Length 26 cms (centimeters)..."	A2401		

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

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A2401	Continued From page 8 Medical record review of a physician's progress note dated April 2, 2014, at 9:59 a.m., revealed, "...NICU (neo-natal intensive care unit) and OB paged directly on arrival. Pt preterm did not know...was pregnant. Did not go into labor/contractions...Fetus blue/red on arrival. Fetus delivered, non-viable with OB assistance in ED (emergency department). Cord clamped...Pt transported to L+D (labor and delivery) for placental." Medical record review of a history and physical dated April 2, 2014, revealed, "...(10:02 a.m.) Chief Complaint: arrives c/o (complains of) labor. Breech presentation noted...Did not know she was pregnant. 21 weeks by LMP. NO prenatal care...Pain controlled. Fetus non viable. No alleviating or aggrevating (aggravating) factors. Pain cramping to lower abd (abdomen). No sig (significant) bleeding...In my professional medical judgment...this patient presents with an emergency medical condition manifesting itself by acute symptoms of sufficient severity (including severe pain) that the absence of immediate medical attention could reasonably be expected to result in placing the patient's health in serious jeopardy; serious impairment to bodily function, or serious dysfunction of a body organ or part...reports vaginal bleeding, vaginal discharge...Pelvic: Bimanual exam abnormal, Cervix dilated 2 cm (centimeters), fetus in breech presentation, legs at introitus on arrival..." Medical record review of a physician's progress note dated April 2, 2014, at 10:57 a.m., revealed, "Precipitous Delivery...OB notified of patients arrival to the emergency department. Infant delivered via vaginal delivery, at (9:50 a.m.)...Initial APGAR score...3 (0-10, higher score	A2401		

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A2401	Continued From page 9 indicative of better clinical condition) Patient tolerated the procedure with difficulty..." Medical record review of a physician's progress note dated April 2, 2014, at 11:00 a.m., revealed, "...OB Called to ER for delivery of preterm with no prenatal care...had presented to (facility) with abd pain and cramps...transferred to ER here where she delivered non-viable male infant...Placenta remains intact..." Medical record review of a Bereavement Loss Checklist L&D dated April 2, 2014, revealed, "...Complications this pregnancy: Preterm labor Obstetrician: (M.D. #2) Delivery Date/Time: 4-2-14 at (9:50 a.m.) Death date/Time: 4-2-14 at (9:50 a.m.)...Sex: M (male)..." Medical record review revealed, "...04/02/2014 (9:26 p.m.)...Delivery Time: Placenta - Manual." Medical record review revealed the patient was discharged on April 2, 2014. Interview with the Corporate Preparedness/Safety Officer on May 9, 2014, at 2:40 p.m., in a conference room, revealed the facility did not have current approved EMTALA policies for Hospital #1 except for a transfer policy. Further interview confirmed the unapproved policy with an origination date of March 2014 was under review. Interview with the ER Nurse Manager on May 12, 2014, at 10:20 a.m., in a conference room, revealed the facility had provided labor and delivery services since 1996, delivered infants of 35-36 weeks gestation through full term, had the capability of providing monitoring of fetal heart tones in the ED, and had OB on call. She stated,	A2401		

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A2401	Continued From page 10 "...unless high risk, and under EMTALA we just deliver, pray for the best, and after delivery transport downtown (Hospital #2)." Interview with the ED's Medical Director on May 12, 2014, at 11:58 a.m., in a conference room, and in the presence of the facility's Corporate Preparedness/Safety Officer, revealed Patient #7 presented to Hospital #2 and he delivered Patient #7's infant. Continued interview confirmed the facility's East campus inappropriately transferred Patient #7 on April 2, 2014, and confirmed Patient #7 was transferred to Hospital #2 in an unstable medical condition. He stated, "...When patient arrived, I didn't have time to read her paperwork. The feet were already out and we had to deliver."	A2401		
A2402	489.20(q) POSTING OF SIGNS [The provider agrees,] in the case of a hospital as defined in §489.24(b), to post conspicuously in any emergency department or in a place or places likely to be noticed by all individuals entering the emergency department, as well as those individuals waiting for examination and treatment in areas other than traditional emergency departments (that is, entrance, admitting area, waiting room, treatment area) a sign (in a form specified by the Secretary) specifying the rights of individuals under section 1867 of the Act with respect to examination and treatment for emergency medical conditions and women in labor; and to post conspicuously (in a form specified by the Secretary) information indicating whether or not the hospital or rural primary care hospital (e.g., critical access hospital) participates in the Medicaid program under a State plan approved under Title XIX.	A2402		

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A2402	Continued From page 11 This STANDARD is not met as evidenced by: Based on observation and interview, the facility failed to conspicuously post the required signs with respect to the right to examination and treatment for emergency medical conditions and women in labor. The findings included: Observation of the facility's Emergency Room (ER) with a Nurse Manager on May 9, 2014, at 10:20 a.m., revealed the required signs were not posted in the patient/family waiting area of the ER. (Required signs inform patients of the right to receive an appropriate medical screening examination, necessary stabilizing treatment, and if necessary an appropriate transfer if the patient has a medical emergency, regardless of ability to pay, and if the facility does/does not participate in the Medicaid program.) Interview with a Nurse Manager on May 9, 2014, at approximately 10:30 a.m., in the outpatient surgery entrance, confirmed the facility failed to conspicuously post the required signs.	A2402		
A2409	489.24(e)(1)-(2) APPROPRIATE TRANSFER (1) General If an individual at a hospital has an emergency medical condition that has not been stabilized (as defined in paragraph (b) of this section), the hospital may not transfer the individual unless - (i) The transfer is an appropriate transfer (within the meaning of paragraph (e)(2) of this section); and (ii)(A) The individual (or a legally responsible person acting on the individual's behalf) requests the transfer, after being informed of the hospital's	A2409		

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A2409	Continued From page 12 obligations under this section and of the risk of transfer. The request must be in writing and indicate the reasons for the request as well as indicate that he or she is aware of the risks and benefits of the transfer. (B) A physician (within the meaning of section 1861(r)(1) of the Act) has signed a certification that, based upon the information available at the time of transfer, the medical benefits reasonably expected from the provision of appropriate medical treatment at another medical facility outweigh the increased risks to the individual or, in the case of a woman in labor, to the woman or the unborn child, from being transferred. The certification must contain a summary of the risks and benefits upon which it is based; or (C) If a physician is not physically present in the emergency department at the time an individual is transferred, a qualified medical person (as determined by the hospital in its bylaws or rules and regulations) has signed a certification described in paragraph (e)(1)(ii)(B) of this section after a physician (as defined in section 1861(r)(1) of the Act) in consultation with the qualified medical person, agrees with the certification and subsequently countersigns the certification. The certification must contain a summary of the risks and benefits upon which it is based. (2) A transfer to another medical facility will be appropriate only in those cases in which - (i) The transferring hospital provides medical treatment within its capacity that minimizes the risks to the individual's health and, in the case of a woman in labor, the health of the unborn child;	A2409		

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A2409	Continued From page 13 (ii) The receiving facility (A) Has available space and qualified personnel for the treatment of the individual; and (B) Has agreed to accept transfer of the individual and to provide appropriate medical treatment. (iii) The transferring hospital sends to the receiving facility all medical records (or copies thereof) related to the emergency condition which the individual has presented that are available at the time of the transfer, including available history, records related to the individual's emergency medical condition, observations of signs or symptoms, preliminary diagnosis, results of diagnostic studies or telephone reports of the studies, treatment provided, results of any tests and the informed written consent or certification (or copy thereof) required under paragraph (e)(1)(ii) of this section, and the name and address of any on-call physician (described in paragraph (g) of this section) who has refused or failed to appear within a reasonable time to provide necessary stabilizing treatment. Other records (e.g., test results not yet available or historical records not readily available from the hospital's files) must be sent as soon as practicable after transfer; and (iv) The transfer is effected through qualified personnel and transportation equipment, as required, including the use of necessary and medically appropriate life support measures during the transfer. This STANDARD is not met as evidenced by: Based on review of facility policy, review of Rules and Regulations of the Medical Staff, review of Emergency Room Logs, medical record review, and interview, the facility failed to appropriately	A2409		

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A2409	Continued From page 14 transfer four patients (#7, #8, #9, and #11) of sixteen patients reviewed. The findings included: Review of facility policy titled "Transfers...PC.074" most recently revised in February, 2012, revealed, "...To establish guidelines for transferring patient within a facility, to an alternative level of care, or to another acute care facility while assuring medically appropriate continuity of care and compliance with EMTALA (Emergency Medical Treatment and Active Labor Act) regulation...The following information must be completed prior to a transfer...transferring physician must obtain acceptance from a receiving physician...receiving facility must accept the patient...patient and/or family members consent...Copies of the completed Emergency Department (ED) record, lab results/x-rays and EKG reports will be sent with patient...Transfer form completed. The transferring physician determines the method of patient transport and the amount of support that will be needed during transport. The transferring physician also maintains responsibility for care during transport until arrival at the receiving facility..." Review of a policy titled "(Facility) East Emergency Services Scope of Services" revealed, "Origination Date: 3/14" and the approval date was blank, indicating it had not been approved by the Medical Staff or the Governing Body. Review of facility policy for the hospital's main campus titled "Emergency Department Scope of Services Number: EMS.280" most recently revised in March, 2010, revealed, "...An	A2409		

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A2409	Continued From page 15 Emergency Medical Condition is defined as a medical condition manifesting itself by acute symptoms of sufficient severity such that the absence of prompt and appropriate medical attention could result in...placing the health or safety of the patient or unborn child in serious jeopardy...The following conditions are declared to be emergency conditions by statute and regulation ...pregnancy with contractions present...acute pain rising to the level of the general definition of emergency medical condition...Evaluation, management, and treatment of patients is appropriate and expedient...Immediate evaluation and stabilization, to the degree reasonably possible, will be available for each patient who presents with an emergency medical condition...Necessary equipment...supplies must be immediately available in the facility at all times...Necessary drugs and agents must be immediately available in the facility at all times...Patients are to be transported to the nearest appropriate ED (emergency department) in accordance with applicable laws, regulations, and guidelines...All transfers will comply with local, state, and federal laws...Equipment and Supplies...Radiological, Imaging and Diagnostic Services Available 24/7 (24 hours per day/7 days per week)...fetal monitoring..." Review of Rules and Regulations of the Medical Staff revealed, "...Effective date: December 7, 1995...A phone call from the requesting physician to the consultant is required for emergent/urgent consults to ensure clear communication regarding the clinical situation and timely coordination of care...The need for consultation will be determined by the (ED) physician...A satisfactory consultation includes examination of	A2409		

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A2409	Continued From page 16 the patient and the record. A written or dictated opinion signed by the consultant must be included in the medical record. For emergent/urgent situations, the consulting physician should discuss findings directly with the referring physician in addition to the written documentation...Medical records contain...Emergency care, treatment, and services provided to the patient before his or her arrival, if any...Documentation and findings of assessments...Conclusion or impressions drawn from medical history and physical examination...Progress notes made by authorized individuals...Consultation reports...All medical record entries must be legible, complete, dated, timed, and authenticated in written or electronic form by the person responsible for providing or evaluating the service provided..." Review of an Emergency Room Log dated April 2, 2014, revealed Patient #7 presented to the facility's East campus with complaint of Vaginal Bleeding. Medical record review of a Triage note dated April 2, 2014, revealed, "...(6:37 a.m.) Complaint: Vaginal bleeding...(6:49 a.m.) Pain level 9 (0-10)...Quality is cramping. Since yesterday...states...Is a 'couple weeks pregnant'...had a miscarriage in Jan (January) LMP (Last Menstrual Period): 11-15-2013 (history of five pregnancies, three delivered pregnancies)..." Medical record review of a history and physical dated April 2, 2014, at 7:14 a.m., revealed, "pt (patient) w/ (with) abd (abdominal) pain. lmp (last mentrual period) 11/5/13. thought she had miscarriage in January due to heavy bleeding and	A2409		

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A2409	Continued From page 17 passing tissue. Was told last week that she is pregnant again. now having severe cramps. had some light bleeding past 2 days. today no bleeding but severe cramps. vomit x (times) 2. no diarrhea. no urinary sx (symptoms). no fever...Sudden onset of symptoms, Symptoms are worsening, are constant. Maximum severity of symptoms severe, Currently symptoms are severe. In my professional medical judgment...this patient presents with an emergency medical condition manifesting itself by acute symptoms of sufficient severity (including severe pain) that in the absence of immediate medical attention could reasonably be expected to result in placing the patient's health in serious jeopardy; serious impairment to bodily function, or serious dysfunction of a body organ...(7:18 a.m.) Abdominal exam included findings of abdomen tender, to the left upper quadrant, to the left lower quadrant, to the right lower quadrant, moderate intensity, no distension, firm uterus at umbilicus...Medical History...miscarriage x 2...cesarean section..." Medical record review of a physician's progress note dated April 2, 2014, at 7:20 a.m., revealed, "...BSUS (Bedside Ultrasound) shows IUP (Intrauterine Pregnancy) at approx 20 wks (approximately 20 weeks). Will obtain formal us (ultrasound), labs, and ob (obstetric) consult..." Medical record review of the Nursing Assessment: Continuing Assessment dated April 2, 2014, revealed, "...(7:24 a.m.) per pt she miscarried in January at home and was never seen by OBGYN (Obstetrician/Gynecologist) to confirm. Pt sts (states) she was seen by OBGYN recently, but could not give specific day or date, and was told her blood pregnancy test was	A2409		

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A2409	Continued From page 18 positive. Pt sts she is 'a couple of weeks pregnant'...patient appears, restless, uncomfortable...(7:40 a.m.) pt rates pain 8 on a scale of 1-10. MD notified new medication order received...(8:12 a.m.) States worsening pain, pt still c/o pain an 8 on a scale of 1-10. MD notified and new medication order received...Patient appears restless, uncomfortable...(8:56 a.m.) States decreased pain, Patient states decreased pain, although she still rates it 7 out of 10. She is not as restless and seems in no pain distress at this time. pain is more intermittent at this time... (9:10 a.m.) States worsening pain...Patient appears, uncomfortable..." Medical record review of a physician's note dated April 2, 2014, at 8:53 a.m., revealed, "Diagnosis Final: Primary Preterm Labor." Medical record review of a nurse's note dated April 2, 2014, at 8:54 a.m., revealed, "Ambulance service contacted...Estimated time of arrival 15-20 min (minutes)." Medical record review of a nurse's note dated April 2, 2014, at 9:06 a.m., revealed, "Indocin (medication to delay labor) ordered by (Medical Doctor - M.D. #1). Pharmacy called and we do not carry that medication on this campus. MD (MD #1) aware, medication order canceled." Medical record review of a nurse's note dated April 2, 2014, at 9:14 a.m., revealed, "Transfer: Reason for transfer need for specialized care, Diagnosis: preterm labor, Accepting Institution: (Hospital #2) Labor and Delivery, Accepting physician (M.D. #2)...Report called to receiving facility..."	A2409		

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A2409	Continued From page 19 Medical record review of a Transfer Authorization dated April 2, 2014, at 9:18 a.m., revealed, "STABILITY The patient is stabilized at the time of transfer and no medical deterioration of the patient's condition is likely, within reasonable medical probability, to result from or occur during the transfer of the individual from this facility, or, with respect to a pregnant woman having contractions, the woman has delivered (including the placenta) OR The Patient is in a state of an emergency medical condition, and I hereby certify that based upon the information available to me at this time, the medical benefits reasonably expected from the provision of appropriate medical treatment at another facility, outweigh the increased risks to the individual and, in the case of labor, to the unborn child from effecting the transfer..." Review of the Transfer Authorization revealed both statements were checked. Further review revealed, "...appropriate transport service...Advanced...The receiving facility has agreed to accept the patient...Facility (Hospital #2)...accepting physician (M.D. #2)..." Continued review revealed, "...Reason for transfer: preterm labor Risk of transfer: death by MVC (motor vehicle crash) Benefits of transfer: higher level of care..." Medical record review of a physician's progress note dated April 2, 2014, at 9:22 a.m., revealed, "formal us (ultrasound) shows (20 week intrauterine pregnancy) and incompetent cervix. Discussed results (with M.D. #2 - patient's obstetrician)...who rec (recommended) indomethacin (Indocin) but med (medication) unavailable here at east. due to early pregnancy pt (patient) will go emergency transport to (Hospital #2) L/D (Labor and Delivery) for OB (Obstetrician) eval (evaluation)."	A2409		

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A2409	Continued From page 20 Medical record review of a nurse's note dated April 2, 2014, at 9:27 a.m., revealed, "Disposition: (Hospital #2) Transport: Ambulance, Patient left the department." Medical record review revealed OB did not see the patient in the ED and was not notified of Indocin being unavailable. Further medical record review revealed no documentation regarding a pelvic examination, fetal heart tones being monitored, or obtaining timing of any contractions. Review of an EMS (Emergency Medical Service) Patient Care Report dated April 2, 2014, revealed, "...Level of Care: ALS (Advanced Life Support)...At patient (9:15 a.m.)...Transport: (9:25 a.m.) At dest (destination): (9:43 a.m.)...Narrative: Dispatched emer (emergent) to (Facility) to transfer pt (patient) to (Hospital #2)...pt in premature labor...nurse advised '...they performed an ultrasound and the cervix was not even visible so they called for transfer...have given her 1 liter NS (normal saline), 8 mg (milligrams) Morphine, 0.5 Dilaudid, and 4 mg of Zofran. Pt has had no pain relief.' Further ALS asses (assessment) revealed pt was having contractions at 1-2 min's (minutes) apart, pt was not on a fetal heart rate monitor, and had no Tocolytics (medication to slow contractions) on board...continued to have contractions at 1-2 mins part, right before arrival at (Hospital #2) pt stated she felt like something was coming out. Upon initial evaluation nothing was seen, but then her water broke and both the baby's feet presented toes pointing upward...pt could not push anymore, the feet were purple had no movement. By this time we were at (Hospital #2)	A2409		

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A2409	Continued From page 21 and diverted straight to the ER (Emergency Room). Moved pt to bed...staff started to deliver baby. When baby was fully delivered it was lifeless and staff did not attempt resuscitation...pt could not sign due to staff rushing her to L&D..." Medical record review of Hospital #2's ER record dated April 2, 2014, revealed, "Complaint: 21 week ob breech presentation Triage Time...(9:47 a.m.)...Pain: 10 (0-10)...brought in by...ems (emergency medical service), transfer from (facility)...feet of fetus are visible (9:49 a.m.)...Medications prior to arrival, morphine...8 mg (millgrams), dilaudid...0.5 mg...zofran 4 mg." Medical record review of an ultrasound report dated April 2, 2014, at 9:00 a.m. (performed at the facility before transfer), revealed, "...Results: A viable intrauterine pregnancy is identified, estimated gestational age 20 weeks and 2 days. The heart rate...measures 136 beats per minute. Of note the cervical canal is poorly identified, and the cervical os appears to be abnormally dilated up to 4.2 cm (centimeters)...findings compatible with incompetent cervix. GYN (Gynecology) assessment recommended." Medical record review of a Newborn Identification record dated April 2, 2014, revealed, "...Infant's Birth Date April 2, 2014, at (9:50 a.m.) Sex male...Weight 364 gm (grams) Length 26 cms (centimeters)..." Medical record review of a physician's progress note dated April 2, 2014, at 9:59 a.m., revealed, "...NICU (neo-natal intensive care unit) and OB paged directly on arrival. Pt preterm did not know...was pregnant. Did not go into labor/contractions...Fetus blue/red on arrival.	A2409		

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A2409	Continued From page 22 Fetus delivered, non-viable with OB assistance in ED (emergency department). Cord clamped...Pt transported to L+D (labor and delivery) for placental." Medical record review of a history and physical dated April 2, 2014, revealed, "...(10:02 a.m.) Chief Complaint: arrives c/o (complains of) labor. Breech presentation noted...Did not know she was pregnant. 21 weeks by LMP. NO prenatal care...Pain controlled. Fetus non viable. No alleviating or aggrevating (aggravating) factors. Pain cramping to lower abd (abdomen). No sig (significant) bleeding...In my professional medical judgment...this patient presents with an emergency medical condition manifesting itself by acute symptoms of sufficient severity (including severe pain) that the absence of immediate medical attention could reasonably be expected to result in placing the patient's health in serious jeopardy; serious impairment to bodily function, or serious dysfunction of a body organ or part...reports vaginal bleeding, vaginal discharge...Pelvic: Bimanual exam abnormal, Cervix dilated 2 cm (centimeters), fetus in breech presentation, legs at introitus on arrival..." Medical record review of a physician's progress note dated April 2, 2014, at 10:57 a.m., revealed, "Precipitous Delivery...OB notified of patients arrival to the emergency department. Infant delivered via vaginal delivery, at (9:50 a.m.)...Initial APGAR score...3 (0-10, higher score indicative of better clinical condition) Patient tolerated the procedure with difficulty..." Medical record review of a physician's progress note dated April 2, 2014, at 11:00 a.m., revealed, "...OB Called to ER for delivery of preterm with no	A2409		

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A2409	Continued From page 23 prenatal care...had presented to (facility) with abd pain and cramps...transferred to ER here where she delivered non-viable male infant...Placenta remains intact..." Medical record review of a Bereavement Loss Checklist L&D dated April 2, 2014, revealed, "...Complications this pregnancy: Preterm labor Obstetrician: (M.D. #2) Delivery Date/Time: 4-2-14 at (9:50 a.m.) Death date/Time: 4-2-14 at (9:50 a.m.)...Sex: M (male)..." Medical record review revealed, "...04/02/2014 (9:26 p.m.)...Delivery Time: Placenta - Manual." Medical record review revealed the patient was discharged on April 2, 2014. Interview with the ER Nurse Manager on May 12, 2014, at 10:20 a.m., in a conference room, revealed the facility had provided labor and delivery services since 1996, delivered infants of 35-36 weeks gestation through full term, had the capability of providing monitoring of fetal heart tones in the ED, and had OB on call. She stated, "...unless high risk, and under EMTALA we just deliver, pray for the best, and after delivery transport downtown (Hospital #2)." Interview with a Registered Pharmacist on May 12, 2014, at 11:23 a.m., in a conference room, revealed the pharmacy did not stock Indomethacin, but the medication used to delay labor could be stocked on the recommendation of physicians. Interview with the ER's Medical Director on May 12, 2014, at 11:58 a.m., in a conference room, and in the presence of the facility's Corporate	A2409		

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A2409	Continued From page 24 Preparedness/Safety Officer, revealed Patient #7 presented to Hospital #2 and he delivered Patient #7's infant. Continued interview confirmed the facility inappropriately transferred Patient #7 on April 2, 2014, and he stated, "...When patient arrived, I didn't have time to read her paperwork. The feet were already out and we had to deliver." Review of an ER Log revealed Patient #8 presented to the ER on April 18, 2014. Medical record review of an ER Record dated April 18, 2014, revealed Patient #8 presented to the ER with a complaint of abdominal pain. Medical record review of a Nursing Assessment dated April 18, 2014, at 8:58 a.m., revealed, "...pressure pain, to the right lower quadrant...on a scale 0-10 patient rates pain as 10..." Medical record review of a history and physical dated April 18, 2014, at 9:01 a.m., revealed, "...abdominal pain that started 3 days ago. Pain is sharp, constant, started in right upper but now pain to RLQ (Right Lower Quadrant) as well. No radiation to back...are constant...In my professional medical judgment....this patient presents with an emergency medical condition manifesting itself by acute symptoms of sufficient severity (including severe pain) that the absence of immediate medical attention could reasonably be expected to result in placing the patient's health in serious jeopardy; serious impairment to bodily function, or serious dysfunction of a body organ or part...(9:03 a.m.) tachycardic...tenderness to right side of abdomen...with voluntary guarding..." Medical record review of a physician's note dated	A2409		

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A2409	Continued From page 25 April 18, 2014, at 9:04 a.m., revealed, "abdominal pain with signficant tenderness and guarding, will check labs, treat pain, do ultrasound." Medical record review of a Medication Administration Summary dated April 18, 2014, revealed the patient was administered pain medication at 9:18 a.m. and 10:32 a.m., and an antibiotic at 9:44 a.m, according to physician's orders. Medical record review of a Nursing Procedure: Communications dated April 18, 2014, at 9:24 a.m., revealed, "...WBC (White Blood Cell) count 32.7 (normal range 4.8-10.8), given to (MD #4)..." Medical record review of a physician's note dated April 18, 2014, at 9:47 a.m., revealed, "ultrasound positive for acute cholecystitis, will send to Main ER (Hospital #2) for surgical evaluation, will give abx (antibiotics) given patient on immunosuppressive meds with WBC 32." Medical record review of a radiology report dated April 18, 2014, at 10:08 a.m., revealed, "...large 2 cm stone in the neck of the gallbladder...gallbladder enlarged to 13 cm...in length...Impression...very suggestive of cholecystitis." Medical record review of the Emergency Department Emergency Record documentation dated April 18, 2014, at 9:50 a.m., revealed, "...Transfer to...(Hospital #2) ED..." Medical record review of a nurse's note dated April 18, 2014, at 9:58 a.m., revealed, "...Reason for transfer need for specialized care, Diagnosis: cholecystitis, Accepting institution: (Hospital #2),	A2409		

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A2409	Continued From page 26 Accepting physician: (MD #6)...Transported by non-urgent ambulance...consent for transfer signed..." Medical record review of the Transfer Authorization dated April 18, 2014, revealed, "Stability The patient is stablized at the time of transfer and no medical deterioration of the patient's condition is likely, within reasonable medical probability, to result from or occur during the transfer of the individual from this facility...OR The Patient is in a state of an emergency medical condition, and I hereby certify that based upon the information available to me at this time, the medical benefits reasonably expected from the provision of appropriate medical treatment at another facility, outweigh the increased risks to the individual...OR Patient/Responsible Individual requests transfer..." Review of the Transfer Authorization revealed all three options were checked. Further review of the Transfer Authorization revealed, "...It is medically necessary to transport the patient by ambulance/air ambulance..." was not checked. Further review revealed no Confirmation Time for Hospital #2's acceptance of the patient; no time was documented when report was given to the accepting hospital staff; and no time was documented for when the patient was transferred. Medical record review of an ER Record (Hospital #2) history and physical dated April 18, 2014, at 11:45 a.m., revealed, "...Transfer from outer facility for higher level of care...Symptoms are worsening, are constant...In my professional medical judgment....this patient presents with an emergency medical condition manifesting itself by acute symptoms of sufficient severity (including severe pain) that the absence of immediate	A2409		

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A2409	Continued From page 27 medical attention could reasonably be expected to result in placing the patient's health in serious jeopardy; serious impairment to bodily function, or serious dysfunction of a body organ or part..." Medical record review of the Hospital #2 Emergency Department Emergency Record dated April 18, 2014, revealed the patient was transported to surgery at 1:58 p.m. Medical record review of a Discharge Summary dated April 20, 2014, revealed, "..taken to operating room for a laparoscopic cholecystectomy with intraoperative cholangiogram...on postop day 2, the day of discharge, will be discharged home..." Interview with the Corporate Preparedness/Safety Officer on May 12, 2014, at 3:35 p.m., in a conference room, confirmed Patient #8 was inappropriately transferred on April 18, 2014. Review of an ER Log revealed Patient #9 presented to the ER on April 18, 2014. Medical record review of an ER Record dated April 18, 2014, revealed, "...(3:15 p.m.) Trauma tuesday...Complaint: bilateral leg tenderness, swelling...(3:25 p.m.) Triage Information...Pain level 8 (0-10)...noticed some increased swelling...concerned about compartment syndrome...Pt has swelling and pain in left calf..." Medical record review of a history and physical dated April 18, 2014, at 4:39 p.m., revealed, "...recently admitted and released from hospital last night from traumatic injury while at work. Had skull fracture, left tibia fracture and right ankle	A2409		

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A2409	Continued From page 28 fracture...had PT (Physical Therapy) come out today, but was told to come directly to ER for increased swelling and pain to left calf. Worried about DVT (Deep Vein Thrombosis) poss (possible) compartment syndrome...In my professional medical judgment....this patient presents with an emergency medical condition manifesting itself by acute symptoms of sufficient severity (including severe pain) that the absence of immediate medical attention could reasonably be expected to result in placing the patient's health in serious jeopardy; serious impairment to bodily function, or serious dysfunction of a body organ or part...large amount of swelling to left calf with tenderness..." Medical record review of a Nurse Practitioner's note dated April 18, 2014, at 4:46 p.m., revealed, "with calf swelling, with recent trauma with ankle fracture, will US (ultrasound) r/o (rule out) DVT...with US, DVT noted with fluid, concerning for compartment syndrome. (M.D. #4) spoke with (MD #11) with trauma, patient will be sent to (Hospital #2) ER downtown for further evaluation." Medical record review of a nurse's note dated April 18, 2014, at 5:09 p.m., revealed, "...Reason for transfer, pt being transferred to the ED, Diagnosis: DVT, Transported by non-urgent ambulance, Copy of patient record prepared for receiving facility, Medication reconciliation form prepared and sent to receiving facility, Patient consent for transfer signed, Family member contacted." Medical record review of the ED record revealed medications administered to the patient in the ED were Dilaudid and Phenergan for pain and	A2409		

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A2409	Continued From page 29 nausea. Medical record review revealed no transfer form, Transfer Authorization, or consent for transfer was found in the medical record. Medical record review of Hospital #2's ER Record revealed, "(5:55 p.m.)...Complaint: DVT LLE (Left Lower Extremity)...Patient transferred from another facility..." Medical record review of the ED physician history and physical dated April 18, 2014, at 7:07 p.m., revealed, "...bilateral leg and facial trauma, discharged from (Hospital #2) and then developed severe bilateral leg pain, worse on the left...There has been no change in the patient's symptoms over time, are constant...In my professional medical judgment....this patient presents with an emergency medical condition manifesting itself by acute symptoms of sufficient severity (including severe pain) that the absence of immediate medical attention could reasonably be expected to result in placing the patient's health in serious jeopardy; serious impairment to bodily function, or serious dysfunction of a body organ or part...(8:47 p.m.) Pulse, tachycardic...extremities swollen bilaterally..." Medical record review of the nursing notes revealed the patient was started on heparin (anticoagulant commonly administered for DVT) on April 18, 2014, at 7:10 p.m. Medical record review of an Admission Request dated April 18, 2014, at 8:45 p.m., revealed, "Condition: Fair...Hospital Service: Surgery - Trauma..."	A2409		

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A2409	Continued From page 30 Medical record review of a nurse's note dated April 18, 2014, at 10:18 p.m., revealed, "Admission: Patient admitted to telemetry unit...STAT (immediate) admission orders completed..." Medical record review of the ER Nursing Notes revealed the patient was admitted to inpatient on April 19, 2014, at 12:39 a.m. Telephone interview with the Corporate Preparedness/Safety Officer on May 13, 2014, at 1:30 p.m., revealed the facility was unable to locate a transfer form, Transfer Authorization, or consent form for transfer and confirmed Patient #9 was inappropriately transferred on April 18, 2014. Review of an ER Log revealed Patient #11 presented to the ER on March 31, 2014. Medical record review of an ER Record dated March 31, 2014, revealed, "(12:35 p.m.) Complaint: Hip Pain, right hip." Medical record review of a nurse's note dated March 31, 2014, at 12:44 p.m., revealed, "Triage Information: seen her (here) on 3/26 for rigt (right) hip and leg pain. pt continues to have this pain and is not able to sleep well. Pt has been taking tylenol and motrin that is not helping pain." Medical record review of a history and physical dated March 31, 2014, at 12:44 p.m., revealed, "...Cerebral Palsy, seizure disorder, cerebral atonia, severe thoracolumbar scoliosis, osteoporosis...(12:58 p.m.) patient was seen last Wednesday for bruising to right leg. Unsure of	A2409		

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A2409	Continued From page 31 any injury or trauma. Patient is non weight bearing. wheel chair bound only. Uses assistance when transferring from wheelchair to recliner...patient has CP (Cerebral Palsy), is non-verbal...Gradual onset of symptoms, 7, days prior to arrival. There has been no change in the patient's symptoms over time, are constant...In my professional medical judgment....this patient presents with an emergency medical condition manifesting itself by acute symptoms of sufficient severity (including severe pain) that the absence of immediate medical attention could reasonably be expected to result in placing the patient's health in serious jeopardy; serious impairment to bodily function, or serious dysfunction of a body organ or part...(1:01 p.m.) Patient appears, in mild pain distress, Patient appears to be uncomfortable...Lower extremity exam included finidngs of inspection abnormal no abrasions, contusions present, no deformity...right medial upper thigh, Range of motion, limited to the right hip..." Medical record review of a Family Nurse Practitioner's note dated March 31, 2014, at 1:02 p.m., revealed, "...brought back in for persistent pain. X-ray over-read shows femoral neck fracture. Will CT and call ortho (orthopedics). Caretaker is unsure of any injury or trauma patient has had in the past week...Spoke with (M.D. #6), will look at CT and speak with ortho attending. Patient will need to be sent to ER to be evaluated by ortho." Medical record review of a radiology report (CT) dated March 31, 2014, at 1:13 p.m., revealed, "Comparison: Right femur fracture, 3/26/2014...Impression: An acute, comminuted fracture of right femoral neck with markedly	A2409		

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A2409	Continued From page 32 displaced fracture fragments as discussed..." Medical record review of a nurse's note dated March 31, 2014, at 3:30 p.m., revealed, "...Reason for transfer need for specialized care, Diagnosis: Femur Fracture, accepting institution (Hospital #2), Accepting physician (M.D. #7), Referring physician: (M.D. #1/FNP), Transported by non-urgent ambulance..." Medical record review of a Transfer Authorization dated March 31, 2014, revealed, "Stability The patient is stablized at the time of transfer and no medical deterioration of the patient's condition is likely, within reasonable medical probability, to result from or occur during the transfer of the individual from this facility...OR The Patient is in a state of an emergency medical condition, and I hereby certify that based upon the information available to me at this time, the medical benefits reasonably expected from the provision of appropriate medical treatment at another facility, outweigh the increased risks to the individual...OR Patient/Responsible Individual requests transfer..." Review of the Transfer Authorization revealed all three options were checked. Further review of the Transfer Authorization revealed it was not documented who the aceepting physician was or who the transferring facility was. Medical record review of the ER record dated March 31, 2014, at 3:37 p.m., revealed, "...Disposition Transport: Ambulance, Patient left the department..." Medical record review of a Orthopedic Consultation Report (Hospital #2) dated March 31, 2014, revealed, "...signs of painful hip since	A2409		

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

PRINTED: 11/18/2014
FORM APPROVED
OMB NO. 0938-0391

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	440104	A. BUILDING _____ B. WING _____	C 05/13/2014

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
ERLANGER MEDICAL CENTER	975 E 3RD ST CHATTANOOGA, TN 37403

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE
A2409	Continued From page 33 last Wednesday (March 26, 2014)...At that time, x-rays were taken, which in retrospect showed a femoral neck fracture that was missed, and the patient was sent (home)...would then show signs of significant pain any time his leg was moved or anytime he was transferred from bed to chair...x-ray of the right hip shows a displaced, shortened and varus femoral neck fracture. CT confirms this fracture and also shows comminution, as well as what appears to be a Pauwels III orientation of the femoral neck fracture...Patient will likely go to the operating room tomorrow..." Interview with the Corporate Preparedness/Safety Officer on May 12, 2014, at 3:00 p.m., in a conference room, confirmed Patient #11 was inappropriately transferred. Interview with the Corporate Preparedness/Safety Officer on May 9, 2014, at 2:40 p.m., in a conference room, revealed the facility did not have current approved EMTALA policies for Hospital #1 (facility or the East Campus) except for a transfer policy. Further interview confirmed the unapproved policy with an origination date of March 2014 was under review. Interview with the ED Medical Director on May 12, 2014, at 11:58 a.m., in a conference room and the presence of the Corporate Preparedness/Safety Officer, revealed EMTALA policy "verbage is in our bylaws."	A2409		

Food and Drug Administration
10903 New Hampshire Avenue
Document Control Center – WO66-G609
Silver Spring, MD 20993-0002

September 5, 2014

Varian Medical Systems, Inc.
% Mr. Peter J. Coronado
Director, Global Regulatory Affairs
3100 Hansen Way
PALO ALTO CA 84304

Re: K140528
Trade/Device Name: TrueBeam, TrueBeam STx, Edge
Regulation Number: 21 CFR 892.5050
Regulation Name: Medical charged-particle radiation therapy system
Regulatory Class: II
Product Code: IYE
Dated: July 31, 2014
Received: August 4, 2014

Dear Mr. Coronado:

We have reviewed your Section 510(k) premarket notification of intent to market the device referenced above and have determined the device is substantially equivalent (for the indications for use stated in the enclosure) to legally marketed predicate devices marketed in interstate commerce prior to May 28, 1976, the enactment date of the Medical Device Amendments, or to devices that have been reclassified in accordance with the provisions of the Federal Food, Drug, and Cosmetic Act (Act) that do not require approval of a premarket approval application (PMA). You may, therefore, market the device, subject to the general controls provisions of the Act. The general controls provisions of the Act include requirements for annual registration, listing of devices, good manufacturing practice, labeling, and prohibitions against misbranding and adulteration. Please note: CDRH does not evaluate information related to contract liability warranties. We remind you, however, that device labeling must be truthful and not misleading.

If your device is classified (see above) into either class II (Special Controls) or class III (PMA), it may be subject to additional controls. Existing major regulations affecting your device can be found in the Code of Federal Regulations, Title 21, Parts 800 to 898. In addition, FDA may publish further announcements concerning your device in the Federal Register.

Please be advised that FDA's issuance of a substantial equivalence determination does not mean that FDA has made a determination that your device complies with other requirements of the Act or any Federal statutes and regulations administered by other Federal agencies. You must comply with all the Act's requirements, including, but not limited to: registration and listing (21 CFR Part 807); labeling (21 CFR Part 801); medical device reporting (reporting of medical device-related adverse events) (21 CFR 803); good manufacturing practice requirements as set forth in the quality systems (QS) regulation (21 CFR Part 820); and if applicable, the electronic product radiation control provisions (Sections 531-542 of the Act); 21 CFR 1000-1050.

If you desire specific advice for your device on our labeling regulation (21 CFR Part 801), please contact the Division of Industry and Consumer Education at its toll-free number (800) 638 2041 or (301) 796-7100 or at its Internet address http://www.fda.gov/MedicalDevices/ResourcesforYou/Industry/default.htm. Also, please note the regulation entitled, "Misbranding by reference to premarket notification" (21 CFR Part 807.97). For questions regarding the reporting of adverse events under the MDR regulation (21 CFR Part 803), please go to http://www.fda.gov/MedicalDevices/Safety/ReportaProblem/default.htm for the CDRH's Office of Surveillance and Biometrics/Division of Postmarket Surveillance.

You may obtain other general information on your responsibilities under the Act from the Division of Industry and Consumer Education at its toll-free number (800) 638-2041 or (301) 796-7100 or at its Internet address http://www.fda.gov/MedicalDevices/ResourcesforYou/Industry/default.htm.

Sincerely yours,

Michael O. O'Hara For

Janine M. Morris
Director
Division of Radiological Health
Office of In Vitro Diagnostics
and Radiological Health
Center for Devices and Radiological Health

Enclosure

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Food and Drug Administration

Indications for Use

Form Approved: OMB No. 0910-0120
Expiration Date: January 31, 2017
See PRA Statement on last page.

510(k) Number *(if known)*
K140528

Device Name
TrueBeam and Edge Radiotherapy Delivery System

Indications for Use *(Describe)*
The TrueBeam and Edge Systems are intended to provide stereotactic radiosurgery and precision radiotherapy for lesions, tumors, and conditions anywhere in the body where radiation therapy is indicated for adults and pediatric patients.

The TrueBeam and Edge Systems may be used in the delivery of radiation for treatment that includes: brain and spine tumors (such as glioma, meningioma, craniopharyngioma, pituitary tumors, spinal cord tumors, hemangioblastoma, orbital tumors, ocular tumors, optic nerve tumors, and skull based tumors), head and neck tumors (such as unknown primary of the head and neck, oral cavity, hypopharynx, larynx, oropharynx, nasopharynx, sinonasal, salivary gland, and thyroid cancer), thoracic tumors (such as lung cancer, esophageal cancer, thymic tumors, and mesothelioma), gynecologic tumors (such as ovarian, cervical, endometrial, vulvar, and vaginal), gastrointestinal tumors (such as gastric, pancreatic, hepatobiliary, colon, rectal, and anal carcinoma), genitourinary tumors (such as prostate, bladder, testicular, and kidney), breast tumors, sarcomas, lymphoid tumors (such as Hodgkin's and non-Hodgkin's lymphoma), skin cancers (such as squamous cell, basal cell, and melanoma), benign diseases (such as schwannoma, arteriovenous malformation, cavernous malformation, trigeminal neuralgia, chordoma, glomus tumors, and hemangiomas), metastasis (including all parts of the body such as brain, bone, liver, lung, kidney, and skin) and pediatric tumors (such as glioma, ependymoma, pituitary tumors, hemangioblastoma, craniopharyngioma, meningioma, metastasis, medulloblastoma, nasopharyngeal tumors, arteriovenous malformation, cavernous malformation and skull base tumors).

Type of Use *(Select one or both, as applicable)*

☒ Prescription Use (Part 21 CFR 801 Subpart D) ☐ Over-The-Counter Use (21 CFR 801 Subpart C)

PLEASE DO NOT WRITE BELOW THIS LINE – CONTINUE ON A SEPARATE PAGE IF NEEDED.

FOR FDA USE ONLY

Concurrence of Center for Devices and Radiological Health (CDRH) *(Signature)*

This section applies only to requirements of the Paperwork Reduction Act of 1995.

DO NOT SEND YOUR COMPLETED FORM TO THE PRA STAFF EMAIL ADDRESS BELOW.

The burden time for this collection of information is estimated to average 79 hours per response, including the time to review instructions, search existing data sources, gather and maintain the data needed and complete and review the collection of information. Send comments regarding this burden estimate or any other aspect of this information collection, including suggestions for reducing this burden, to:

Department of Health and Human Services
Food and Drug Administration
Office of Chief Information Officer
Paperwork Reduction Act (PRA) Staff
PRAStaff@fda.hhs.gov

"An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB number."

VARIAN
medical systems

Varian Medical Systems, Inc.
3100 Hansen Way
Palo Alto, CA 94304-1038
USA
Tel +1 650 493 4000
www.varian.com

Premarket Notification [510(k)] Summary

TrueBeam/Edge Radiotherapy Delivery Systems

The following information is provided following the format of 21 CFR 807.92(c).

Submitter's Name:	Varian Medical Systems, Inc. 3100 Hansen Way E-110 Palo Alto, CA 94304 Contact Name: Peter J. Coronado Phone: 650.424.6320 Fax: 650.646.9200 Date: 31 July 2014
Proprietary Name:	TrueBeam™/ TrueBeam STx™ Radiotherapy Delivery System Edge™ Radiotherapy Delivery System
Classification Name:	Medical charged-particle radiation therapy system 21 CFR 892.5050, Class II Product Code: IYE
Common/Usual Name:	Medical linear accelerator
Predicate Devices:	TrueBeam Radiotherapy System and Accessories: K123291 CyberKnife Robotic Radiosurgery System and CyberKnife VSI Systems: K102650 Agility™ K123808
Device Description:	The TrueBeam™ and Edge™ Radiotherapy Delivery Systems are medical linear accelerators that integrate the previously cleared Trilogy Radiotherapy system and associated accessories into a single device. The system consists of two major components, a photon, electron, and diagnostic kV X-ray radiation beam-producing component that is installed in a radiation-shielded vault and a control console area located outside the treatment room.
Intended Use Statement	The TrueBeam and Edge Systems are intended to provide stereotactic radiosurgery and precision radiotherapy for lesions, tumors, and conditions anywhere in the body where radiation therapy is indicated for adults and pediatric patients.

Indications for Use Statement	The TrueBeam and Edge Systems are intended to provide stereotactic radiosurgery and precision radiotherapy for lesions, tumors, and conditions anywhere in the body where radiation therapy is indicated for adults and pediatric patients. The TrueBeam and Edge Systems may be used in the delivery of radiation for treatment that includes: brain and spine tumors (such as glioma, meningioma, craniopharyngioma, pituitary tumors, spinal cord tumors, hemangioblastoma, orbital tumors, ocular tumors, optic nerve tumors, and skull based tumors), head and neck tumors (such as unknown primary of the head and neck, oral cavity, hypopharynx, larynx, oropharynx, nasopharynx, sinonasal, salivary gland, and thyroid cancer), thoracic tumors (such as lung cancer, esophageal cancer, thymic tumors, and mesothelioma), gynecologic tumors (such as ovarian, cervical, endometrial, vulvar, and vaginal), gastrointestinal tumors (such as gastric, pancreatic, hepatobiliary, colon, rectal, and anal carcinoma), genitourinary tumors (such as prostate, bladder, testicular, and kidney), breast tumors, sarcomas, lymphoid tumors (such as Hodgkin's and non-Hodgkin's lymphoma), skin cancers (such as squamous cell, basal cell, and melanoma), benign diseases (such as schwannoma, arteriovenous malformation, cavernous malformation, trigeminal neuralgia, chordoma, glomus tumors, and hemangiomas), metastasis (including all parts of the body such as brain, bone, liver, lung, kidney, and skin) and pediatric tumors (such as glioma, ependymoma, pituitary tumors, hemangioblastoma, craniopharyngioma, meningioma, metastasis, medulloblastoma, nasopharyngeal tumors, arteriovenous malformation, cavernous malformation and skull base tumors).
Technological Characteristics	This device has the same technological characteristics as the previously cleared TrueBeam device K123291. This submission does not introduce any device modifications.
Substantial Equivalence	The indication for use statement for the TrueBeam and Edge radiotherapy delivery systems is similar but not identical to its primary predicate device K123291. The changes made with this submission include specific indications for some typical lesions, tumors and conditions that may be treated with radiation. The addition of this text to the indication statement does not change the therapeutic effect of the device. These treatment sites fall within the previously cleared general indication "to provide stereotactic radiosurgery and precision radiotherapy for lesions, tumors, and conditions anywhere in the body where radiation therapy is indicated". The device itself is unchanged from the previous submission K123291. The principles of operation, technological characteristics and labeling are substantially equivalent. The functionality and intended use of the TrueBeam and Edge systems is substantially equivalent to that of its predicate devices, CyberKnife and CyberKnife VSI Systems (K102650) and Agility™ K123808, in safety and effectiveness.
Summary of performance testing	No changes have been made to the device and no new testing has been performed.

CURRICULUM VITAE
Frank Charles Kimsey, M.D., F.A.C.R.

Kimsey Radiation Oncology, PLLC
Memorial Hospital Cancer Center
605 Glenwood Drive, Suite 208
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(423) 490-7233
(423) 490-7235 Fax

Kimsey Radiation Oncology, PLLC
Erlanger Regional Cancer Center
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Chattanooga, TN 37403
(423) 490-9080
(423) 490-9076 Fax

1/6/14

EDUCATION

2008	Fellowship, American College of Radiology
2003	10-year Recertification, American Board of Radiology
1995	Diplomate, American Board of Radiology in Radiation Oncology
1991-94	University of Florida, Shands Cancer Center, Gainesville, Fla., accredited residency training in Radiation Oncology
1990-91	Diagnostic Radiology at Methodist Hospital of Memphis Radiation Oncology at St. Jude Children's Hospital with Dr. Larry Kun; Part-time practice with Metro Emergency Medicine Group, P.C.
1989-90	Internal Medicine Internship, Methodist Hospital of Memphis, Tenn.
1985-89	University of Tennessee Medical School, Memphis, Tenn.
1981-85	Emory University, Atlanta, Ga., Bachelor of Science degree, dual major biology / psychology
1975-81	The Baylor School, Chattanooga, Tenn., Cum Laude Society

HONORS/POSITIONS

2013-present	Carrier Advisory Committee representative for TRS
2008-2011	Counselor, American College of Radiology
2007-2008	Alternate Counselor, Tennessee Radiological Society (TRS)
2006-present	Medical Director, Chattanooga Tumor Clinic
2006-present	Trustee, Hurlbut Foundation
2005-2006	Grievance Committee, Chattanooga Hamilton County Medical Society
2004-2006	President, Tennessee Radiological Society
2004-present	Project Access Volunteer Provider—community partnership providing care to uninsured workers
2004-present	Specialty Society Delegate, Tennessee Medical Association
2002-2004	President Elect, Tennessee Radiological Society
2000-2003	Counselor, American College of Radiology (ACR). Sponsored the ACR policy recommending multidisciplinary management of breast cancer patients
1999-2001	Chairman, Department of Radiation Oncology, Memorial Health Systems
1999-2000	Alternate Counselor, American College of Radiology
1999-2001	Memorial Foundation Development Council
1998-present	Board Member, Chattanooga Tumor Clinic—a nonprofit multidisciplinary clinic providing cancer services to indigent patients in the region
1997-2000	Nominating Committee, Tennessee Radiological Society
1997-present	Board Member, American Cancer Society Chattanooga & Hamilton County Unit, Chairman of the Cattle Baron's Ball 2001
1996-present	Chairman, Memorial Health Systems Radiation Safety Committee
1995-Present	Member, American College of Radiology and Tennessee Radiological Society
1995-present	Member, The American Society of Therapeutic Radiation Oncology
1994-present	Member, American Medical Association, Tennessee Medical Association, and Chattanooga/Hamilton County Medical Association
1994-present	Private Radiation Oncology practice in Chattanooga, Tenn.

PAPERS

"Does Radiation Treatment Volume Predict for Acute or Late Effect on Pulmonary Function? A Prospective Study of Patients Treated with Breast Conserving Surgery and Postoperative Irradiation". Cancer 1994;73:2549-55. Presented to the American Radium Society, Aruba 1993

"Are Women with Larger Breasts Appropriate Candidates for Conservative Surgery and Postoperative Radiation Therapy? A study of Disease Control and Cosmesis in Early Stage Breast Cancer." Presented at the University of Florida Radiation Oncology Annual Spring Research Conference, 1993

"Malignant Tumors of the Nasal Cavity/Ethmoid Sphenoid and Frontal Sinuses." Presented at the University of Florida Radiation Oncology Annual Spring Research Conference, 1994

"Radiation Therapy for Sinus Malignancies," J.T. Parsons, F.C. Kimsey et al: The Otolaryngologic Clinics of North America 1995;28:1259-68

PERSONAL

I enjoy traveling with my family, physical training, fine dining, and hunting and fishing in the Tennessee mountains. I am committed to giving back to my community and profession the blessings that I have received.

Find Shortage Areas: MUA/P by State and County

Shortage Designation Home
Find Shortage Areas
HPSA & MUA/P by Address
HPSA by State & County
HPSA Eligible for the Medicare Physician Bonus Payment

Criteria:

State: Tennessee
County: Bledsoe County
Bradley County
Grundy County
Hamilton County
McMinn County
Marion County
Meigs County
Polk County
Rhea County
Sequatchie County
ID #: All

Results: 34 records found.

Name	ID#	Type	Score	Designation Date	Update Date
Bledsoe County					
Bledsoe County	03175	MUA	58.40	1978/11/01	2014/05/21
Bradley County					
Cleveland Division Service Area	03253	MUA	43.20	1994/05/12	
MCD (90392) District 3					
MCD (90772) District 5					
MCD (90962) District 6					
MCD (91152) District 7					
Grundy County					
Grundy County	03194	MUA	51.50	1978/11/01	2014/05/21
Hamilton County					
Hamilton Service Area	03244	MUA	56.43	1982/06/03	1994/05/04
CT 0004.00					
CT 0006.00					
CT 0008.00					
CT 0011.00					
CT 0012.00					
CT 0013.00					
CT 0014.00					
CT 0016.00					
CT 0018.00					
CT 0019.00					
CT 0020.00					
CT 0023.00					
CT 0024.00					
CT 0025.00					
CT 0026.00					
CT 0031.00					
CT 0122.00					
CT 0123.00					
CT 0124.00					
McMinn County					
Mcminn Service Area	03211	MUA	57.00	1978/11/01	
Marion County					
Marion Service Area	03215	MUA	53.30	1978/11/01	
Meigs County					
Meigs County	03217	MUA	57.40	1978/11/01	2014/05/21
Polk County					
Turtletown Service Area	07498	MUA	57.30	1994/05/12	
MCD (90520) District 3					
Rhea County					
Rhea Service Area	03226	MUA	55.50	1978/11/01	
Sequatchie County					
Sequatchie Service Area	03230	MUA	54.30	1978/11/01	

NEW SEARCH MODIFY SEARCH CRITERIA

Origination Date:		
Approval:		
Reviewed Date:	Revised Date:	Ap
12/05		
	1/09	
5/11		
	6/12	
	1/13	

Erlanger Health System Policy and Procedure

Index Title: Emergency Response on Erlanger Baroness Campus
Originating Department: Administration
Number: 8316.951
Description for EHS Intranet: Emergency; Emergency Response; Off campus emergencies;

Policy statement: Erlanger Health System (EHS) provides this policy and process to determine who should respond when an emergency situation occurs on the Baroness Campus, and designated adjacent areas.

Scope: EHS employees within Baroness Campus.

Procedure:

When an emergency situation occurs within Baroness Campus / Miller Eye Center or any location on the ground or first floor of the Medical Mall, a Code Blue, Code 5 or Rapid Response call should be made.

Emergency situations that occur on adjacent grounds, e.g. driveways, parking lots, Whitehall Building, Fillauer Building, UT Family Practice, E kids, Lincoln Park Building and any area not described above should contact **911**. For additional medical expertise, the House Supervisor (HS) may be contacted.

Independent Physician Practices are not part of the Hospital and should be considered as adjacent grounds. For these areas, contact **911** in emergency situations.

The HS can be immediately contacted by dialing 778-6911. After assessing the nature of the emergency, while waiting for a response, the appropriate first aid care, CPR (Cardiopulmonary Resuscitation), containment of bleeding and/or comfort measures are to be offered. This care must be consistent with good medical practice (which may mean, "doing no harm" and not moving the person). The HS will determine the level of response required for emergency/medical situations after considering the following:

- Personal safety of the responding personnel.
- Availability of medically trained staff who could be dispatched to the location.
- Status/need of current and waiting patients, in that the medical care of these individuals will not be delayed or impaired by having emergency personnel dispatched to another location.

- Availability of portable medical equipment and supplies to be transported by emergency medical personnel to the location.

The Rapid Response Nurse (7789) may be called on to serve as the back up for the HS, should the HS be unavailable.

The HS will put the Emergency Department on stand-by for additional stabilizing and packaging equipment, including transport needs via stretcher.

See CPR Adult Code Blue Process, PC.120.
See CPR Pediatric Code 5 Process, 6012.08

Committee	Approval/Date
Legal	6/12
Code Committee	6/12

Medical Director	Approval/Date

References:

Erlanger Health System Policy and Procedure

Origination Date: 02/11/09		
Approval:		
Reviewed Date:	Revised Date:	Approval:
4/18/112/2013		7/2014

Index Title: Non-EmergentHospitalOutpatient Order Policy
Originating Department: Patient Access
Number: 8316.1035
Description for EHS Intranet: Outpatient Orders

Policy Statement: Erlanger Health System (EHS) requires a complete and valid physician outpatient order prior to non-emergent hospital services being rendered.

Purpose: To establish guidelines outlining the documentation required for all non-emergent outpatient services orders submitted in accordance with payer guidelines. This policy should be used in conjunction with the Non-Covered Services Policy and the Medical Necessity Policy.

Scope: All non-emergent outpatient services provided by an outpatient department of Erlanger Health System.

Exceptions: Exceptions to this policy applicable to Medicare patients include the following services for which Medicare does not require a documented order:

- Screening mammography;
- Pneumococcal pneumonia vaccine (PPV) and its administration;
- Influenza vaccine and its administration.

Definitions:

Authentication: The requirement of a written signature or a computer-secure entry by a unique identifier of a primary author who has approved the entry.

Advance Beneficiary Notice (ABN): An ABN is a written notice given to a Medicare Beneficiary before Part B services are furnished when Erlanger Health System believes that Medicare will not pay for some or all of the services on the basis that they are not reasonable and necessary (i.e., under §1862(a)(1) of the Act) and Erlanger Health System (EHS) wishes to bill the patient for the provided services. The information in the ABN will assist the beneficiary in making an informed decision whether or not to receive the service and be financially responsible for the payment.

Deferral of Hospital Outpatient Services: The deferral or re-scheduling of services until the receipt of a complete and valid physician order and the financial requirements being met.

Medical Necessity: Items or services which may be justified as reasonable, necessary, and/or

appropriate, based on evidence-based clinical standards of care.

Modification of Orders: Existing orders may not be changed by EHS personnel. Any change or addition to a service or test embodied in an existing order requires that the procedures noted in the "Modification of Outpatient Orders" section of this policy be followed.

Non-Physician Practitioner ("NPP"): An NPP can be a physician assistant, clinical psychologist, nurse practitioner, clinical nurse specialists, licensed clinical social worker, or certified nurse midwife acting within his/her state scope of practice laws and hospital-granted privileges.

Outpatient Laboratory Requisition: A computer generated document listing outpatient tests that are available for a Physician to order. It can serve as evidence of the services the Physician intended to order if it is also adequately documented in the medical record and authenticated.

Order Sets: An order that outlines a treatment regime or standard of care required for a patient having a specifically-defined type of care / treatment (i.e., AHCPR protocol for treatment of pressure ulcers). Special Note: Orders for outpatient services may be supported by a valid, approved hospital order set that has been initiated by a physician or NPP and approved by the hospital's Medical Staff. A copy of the order set must be maintained in the patient's medical records.

Recurring Orders:A physician may submit an order for tests, injections, lab, infusions, etc., to be performed on a recurring basis. The recurring order must include all elements as outlined in theoutpatient order elements noted below in this policy, including:

- Frequency of the test, etc. to be performed (such as monthly, weekly,bi-weekly, etc.)
- The length of time that the order is to re-occur and is valid(such as 6 weeks, 2 weeks, 3 months, etc.) Most will be updated every six months – however, a Recurring Order may be valid beyond 6 months or less / more than this time period based on time specifications of the physician as the duration of the patient's specific treatment period, not to exceed twelve months.
- Number of treatments to be provided (such as 10 HBO TX, etc.)
- Must be medically necessary

Treating physician: A physician, as defined in §1861 (r) of the Social Security Act (the Act), who furnishes a consultation or treats a beneficiary for a specific medical problem, and who uses the results of a diagnostic test in the management of the beneficiary's specific medical problem.

PROCEDURES:

The following are the required data elements for Non-Emergent Hospital Outpatient Orders:

1. Patient Legal Name;
2. Patient date of birth;
3. Reason for ordering the test or service (i.e., diagnosis description signs or symptoms);

4. Physician or qualified health professional authentication "signature";
5. Name of ordering practitioner;
6. Date of order (Date provider signed the order).

A complete and valid physician order contains the above elements. When the above elements are present and all other coverage guidelines are met, the hospital may provide and subsequently bill for the services ordered once performed.

Special Note: An acceptable order should not include such diagnosis language as:

- Rule/Out (R/O)
- Possible
- Suspicious
- Probable

A complete and valid physician order should be secured for all non-emergent outpatient services **at least 48 hours prior to the patient's date of service**by responsible registration and scheduling personnel.

All non-emergent outpatient services scheduled without a complete and valid order 48 hours prior to the patient's date of service will be escalated by Patient Access. The physician or physician's office personnel will be contacted via telephone and email notifying them that the service will be deferred due to the lack of a valid order. Once notified, the physician's office must supply a valid order that contains all of the required elements no later than 24 hours prior to scheduled appointment to prevent the service from being deferred and rescheduled.

Unscheduled or walk-in patients must arrive at registration with a complete and valid physician order. Patient Access, Registration or other responsible personnel receiving an incomplete order must call the physician office and request the required information. The physician office must furnish a new order for any unscheduled or walk-in patients arriving at registration without a complete and valid order prior to the services being provided. Unscheduled or walk-in patients may experience extended wait times pending receipt of a complete and valid order, verification of patient insurance policy requirements related to pre-certification or pre-authorization of services prior to services being rendered.

Every effort should be made to obtain all required information prior to services being rendered. For Medicare and Medicaid patients, the Center for Medicare & Medicaid Services guidelines state that if patient care or the integrity of a specimen is at risk, you should continue processing the test (s) or performing service (s) and subsequently obtain the required elements. This requires clinical judgment and should be discussed with appropriate supervisor(s).

All Patient Access registration departments are responsible for scanning the complete and valid physician order into HPF in order for the order to become a part of the patient's medical record.

If any of the required outpatient order data elements noted above are missing, a new order will be **REQUIRED** directly from the physician prior to the services being performed.

Verbal orders will notbe accepted for non-emergent hospital outpatient services.

Modification of Order:

As noted above, every effort should be made to obtain all required information prior to non-emergent outpatient services being provided. Patient Access, Registration or other personnel receiving an incomplete order must call the physician office and request that the physician office furnish a new and valid order prior to the services being provided.

If patient services were rendered with an incomplete order (i.e. missing or incorrect Dx),the physician can make an entry to clarify/correct this by amending the patient's medical record, documenting the missing data element and / or reason for the correction and providing us with a copy of the amended patient record. If an order for a clinical diagnostic service is missing the provider's authentication, you may rely on a copy of the patient's medical record if it already has documentation of the provider's intent to order the services and the medical record had beenpreviously authenticated. Please note that this should be the exception not the rule.

Implementation:

1. EHS must ensure all outpatient orders, whether paper-based or generated through web-based physician portals, meet the requirements of this policy.

2. EHS must have a process in place to ensure staff and Physicians are notified of the requirements of this policy.

Annual Review:

This policy and related supporting documents are subject to annual review by the Patient Access Department and members of the Revenue Cycle Committee, including the Office of Compliance.

Enforcement:

All EHS personnel whose responsibilities are affected by this policy are expected to be familiar with the basic procedures and responsibilities created by this policy. Those employees who fail to comply with this policy will be subject to appropriate disciplinary action pursuant to EHS' applicable policy and procedure, up to and including termination.

Committee	Approval/Date

References:
Medicare Conditions of Participation
42 C.F.R §482.23; §428.24; §428.26b.4
42 C.F.R §410.32
TJC (The Joint Commission) RC standards
TJC (The Joint Commission) MS 2.5
http://www.cms.gov/Medicare/Coding/ICD10/index.html
CMS Benefit Policy Manual (Pub 100.02) Transmittal 80
CMS "Medicare Program Integrity Manual" (Publication [Pub.] (100-08), Chapter 3, Section 3.4.11. D
CMS, State Operations Manual Appendix A-Survey Protocol, Regulations, and Interpretive Guidelines for Hospitals, Interpretive Guidelines §482.24(c) (1) (i) and (ii)
EHS Rules and Regulations of the Medical Staff (January 18, 2011)
EHS Bylaws of the Medical Staff (May 2010)
The ABN manual instructions and ABN Form CMS -R-131 are available at http://www.cms.gov/ BNI/02_ABN.asp

VARIAN
medical systems

Quotation

DVC20141002-001A

Quotation For:

Tony Dotson
ERLANGER MEDICAL CENTER
Radiation Oncology
Regional Cancer Center
975 East 3rd Street
Chattanooga, TN 37401
(423) 778 - 7339 FAX: (423) 778 - 3168

Please address inquiries and replies to:

Daniel Ciarametaro
Varian Medical Systems
2250 Newmarket Parkway
Suite 120
Marietta, GA 30067
(678) 255 - 3888 FAX: (678) 255 - 3850
daniel.ciarametaro@varian.com

Your Reference:	*Quotation Firm Until:* **March 15, 2015**
FOB Point: **US2 FOB: Destination**	*Shipping Allocation:* **180 DAYS ARO**
Payment Terms: **10%/85%/ 5%**	**Varian Terms and Conditions of Sale 1652U Attached**

TrueBeam Package

ERLANGER MEDICAL CENTER

Quotation Total of: USD $3,065,941 **Accepted by:**

Signature: _____

Name: _____

Title: _____

Date: _____

For this purchase, we designate **NOVATION** as our Institution's Primary Group Purchasing Organization affiliation. Any change will be Indicated below:

☐ **AmeriNet** ☐ **Aptium** ☐ **BJC** ☐ **Broadlane**
☐ **CHW** ☐ **Consorta/HPG** ☐ **KP Select** ☐ **Magnet**
☐ **Matrix** ☐ **MedAssets** ☐ **Novation** ☐ **Premier**
☐ **ROI** ☐ **USO** ☐ **VA Gov** ☐ **None**

Varian Medical Systems

Submitted by:

_____
(Signature)

Name: **Daniel Ciarametaro**

Title: **District Sales Manager**

Date: **October 2, 2014**

VARIAN
medical systems

Quotation

DVC20141002-001A

ERLANGER MEDICAL CENTER, Chattanooga, TN

Item	Qty	Product Description	Offer Price
Section 1		**TrueBeam Package**	
1.01	1	TrueBeam Package	
1.02	1	New Universal Baseframe 52" Fixed Floor	
1.03	1	Rapid Arc Treatment Delivery License	
1.04	1	6/6 MV (BJR 11/17)	
1.05	1	10/10 MV (BJR 11/17)	
1.06	1	15/16 MV (BJR 11/17)	
1.07	1	18/23 MV (BJR 11/17)	
1.08	1	6 MeV, 0-1000 MU/min	
1.09	1	9 MeV, 0-1000 MU/min	
1.10	1	12 MeV, 0-1000 MU/min	
1.11	1	16 MeV, 0-1000 MU/min	
1.12	1	18 MeV, 0-1000 MU/min	
1.13	1	STD TRNG: TrueBeam On-Site Support	
1.14	1	INCL ED: TB201 TrueBeam for Physicists	
1.15	2	INCL ED: TB101 TrueBeam Operations	
1.16	1	NLS: English	
1.17	1	120 Multileaf Collimator	
1.18	1	Lower Wedge Set	
1.19	1	Upper Wedge Set	
1.20	1	6X High Intensity Mode	
1.21	1	10X High Intensity Mode	
1.22	1	9 MeV HDTSE, 2500 MU/min	

VARIAN
medical systems

Quotation

DVC20141002-001A

ERLANGER MEDICAL CENTER, Chattanooga, TN

Item	Qty	Product Description	Offer Price
1.23	1	Low-X Imaging 2.5Mv	
1.24	1	Advanced IGRT & Motion Package	
1.25	1	RPC Lung Phantom Voucher Option	
1.26	1	Respiratory Motion Mgmt Pkg	
1.27	1	INCL ED: CL222 Respiratory Gating	
1.28	1	Integrated IGRT Couch Top	
1.29	1	Patient Accessory Verification System	
1.30	1	Additional MotionView CCTV Camera System	
1.31	1	Enhanced Beam Conformance Specification	
1.32	1	Beam Conformance to Cust Ref Data-X-rays	
1.33	1	Power Cond., 3phase 50KVA, TrueBeam	
1.34	1	Main Circuit Breaker Panel	
1.35	1	Filtrine Water Chiller: HE	

Section 2

2.01	20	Varian Flex-Credit	

Quotation Total $	3,065,941.00

VARIAN
medical systems

Quotation

DVC20141002-001A

ERLANGER MEDICAL CENTER, Chattanooga, TN

Item	Qty	Product Description	Offer Price

There may be radiological regulatory requirements applicable to possessing and/or operating radiation generating machines. Varian takes no responsibility regarding local radiation safety requirements. These requirements are the customer's responsibility.

End of Support: Varian may terminate the Agreement at the end of support of the Product that is the object of the Support Services by giving **twenty-four (24) months** written notice to the Customer. However, Varian may shorten this notice period in its sole discretion if termination is required due to key component obsolescence issues or material product quality concerns.

Terms & Conditions of Sale

This offer is subject to credit approval and is exclusive of any applicable sales taxes or duties.

If Customer chooses to pay by credit card, a four percent (4%) service fee will be added.

FINANCING AVAILABLE: For lease and finance plans, call Tony Susen, Director - Varian Customer Finance, at (508) 668-4609.

Consolidated Interim Financial Statements

Quarter Ending September 30, 2014

This financial report is confidential and proprietary information. This document is not a public record until finalized and released by the chief financial officer. The embargo date for the information contained herein is October 20, 2014 at 5P.M. EST. No part of the information contained herein may be released or discussed publicly until this date.

ERLANGER HEALTH SYSTEM
Unaudited Consolidated Balance Sheets as of: September 30, 2014

ASSETS	2015	2014
UNRESTRICTED FUND		
CURRENT:		
Cash and temporary investments	$ 50,723,375	$ 25,870,040
Funds held by trustee - current portion	10,121,996	10,202,918
Patient accounts receivable	332,792,295	285,261,247
Less allowances for patient A/R	(254,547,878)	(201,697,911)
Net patient accounts receivable	78,244,417	83,563,335
Other receivables	32,691,336	33,651,130
Due from third party payors	15,297,531	5,643,317
Inventories	12,830,058	13,109,114
Prepaid expenses	7,138,777	7,209,006
Total current assets	207,047,491	179,248,860
PROPERTY, PLANT, AND EQUIPMENT		
Net property, plant and equipment	148,106,020	163,964,918
LONG-TERM INVESTMENTS	428,022	473,318
OTHER ASSETS:		
Assets whose use is limited	131,953,425	130,624,697
Deferred debt issue cost	2,036,905	5,680,445
Other assets	1,632,856	1,766,774
Total other assets	135,623,186	138,071,917
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts from debt refunding	701,828	787,766
TOTAL	**$ 491,906,546**	**$ 482,546,779**

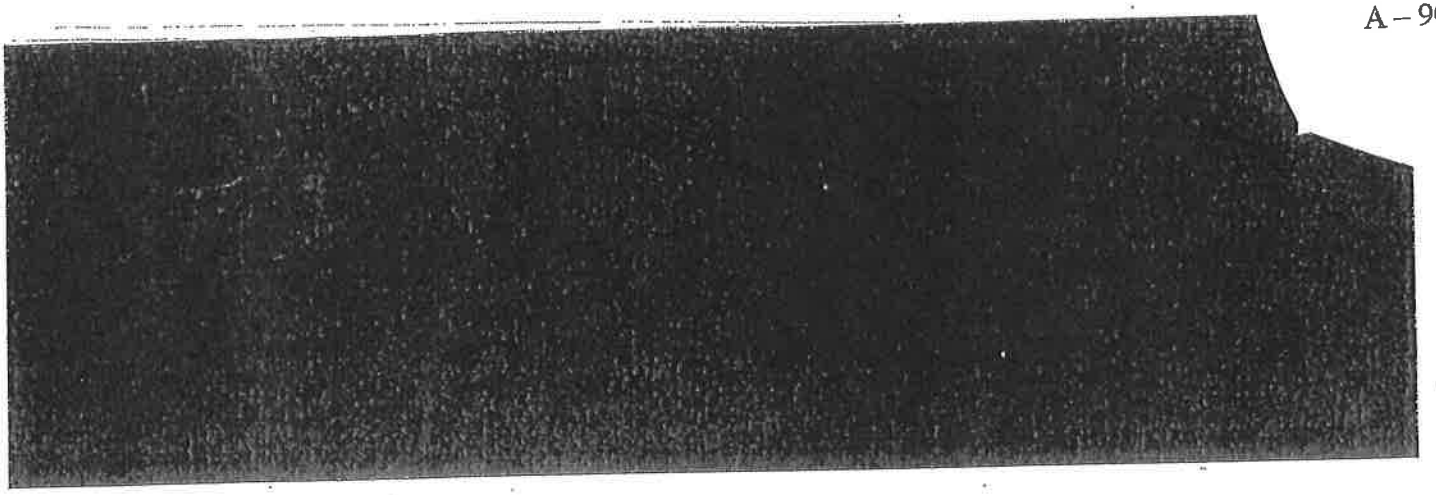
LIABILITIES	2015	2014
UNRESTRICTED FUND		
CURRENT:		
Current maturities of long term debt	$ 10,865,628	$ 8,109,058
Accounts payable	39,703,742	43,688,128
Accrued salaries & related liabilities	23,195,516	20,172,528
Due to third party payors	109,881	2,570,298
Construction fund payable	61,187	296,298
Accrued interest payable	3,127,456	3,465,342
Total current liabilities	77,063,409	78,301,653
POST RETIREMENT BENEFITS (GASB 45 & FAS 112)	27,426,333	17,551,617
RESERVE FOR OTHER LIABILITIES	23,515,699	28,329,027
DEFERRED INFLOWS OF RESOURCES		
Deferred gain from sale-leaseback	3,935,725	4,400,481
LONG - TERM DEBT	159,034,778	170,128,747
FUND BALANCE:		
Unrestricted	184,923,923	156,973,914
Invested in capital assets, net of related debt	11,077,066	22,341,341
Restricted	4,929,612	4,520,000
	200,930,602	183,835,255
TOTAL	**$ 491,906,546**	**$ 482,546,779**

Erlanger Health System

Unaudited Consolidated Statement of Operations

For the quarter ended September 30, 2014 and 2013

	Current Quarter		
	Actual	Budget	Prior Year
Net patient service revenue	$ 156,887,696	$ 147,379,763	$ 138,610,000
Other revenue(expense)	7,514,887	8,917,484	9,051,249
Net operating revenue	164,402,583	156,297,246	147,661,249
Expenses			
Salaries and employee benefits	83,936,316	83,754,907	80,820,897
Supplies	20,518,179	18,705,941	20,172,264
Purchased services	31,169,525	30,414,833	28,304,140
Utilities	2,818,520	2,439,622	2,766,285
Drugs	10,293,649	8,635,717	8,204,562
Depreciation	7,085,216	7,075,680	7,410,187
Insurance & taxes	858,551	885,666	679,536
Total operating expense	156,679,956	151,912,366	148,357,870
Excess rev. over/(under) exp. from operations	7,722,627	4,384,881	(696,620)
NONOPERATING INCOME:			
Gain (Losses) on disposal of assets	50,378	(54,161)	(56,198)
Interest Income/Gains (Losses) on Investments	91,860	338,210	397,361
Interest expense	(2,007,187)	(2,169,816)	(2,412,088)
Mark to market on swaps	686,536	-	568,288
Provisions for income tax	(133,551)	(21,650)	(19,120)
Excess rev. over/(under) expenses	$ 6,410,664	$ 2,477,464	$ (2,218,378)
Operating Margin	4.70%	2.81%	-0.47%
Total Margin	3.48%	1.59%	-1.89%



CHATTANOOGA-HAMILTON COUNTY HOSPITAL AUTHORITY
(d/b/a Erlanger Health System and Discretely Presented Component Units)

Audited Combined Financial Statements

Years Ended June 30, 2014 and 2013

PYA
Certified Public Accountants

CHATTANOOGA-HAMILTON COUNTY HOSPITAL AUTHORITY
(d/b/a Erlanger Health System)

Audited Combined Financial Statements

Years Ended June 30, 2014 and 2013

PERSHING YOAKLEY & ASSOCIATES,
One Cherokee Mills, 2220 Sutherland Avenue
Knoxville, TN 37919
p: (865) 673-0844 | f: (865) 673-0173
www.pyapc.com

PYA
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Chattanooga-Hamilton County Hospital Authority
(d/b/a Erlanger Health System):

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of the business-type activities of Chattanooga-Hamilton County Hospital Authority d/b/a Erlanger Health System (the Primary Health System) and its discretely presented component units, as of and for the years ended June 30, 2014 and 2013, and the related notes to the combined financial statements, which collectively comprise the Primary Health System's basic combined financial statements as listed in the table of contents.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Primary Health System's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness

of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component units of the Primary Health System as of June 30, 2014 and 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A to the combined financial statements, during the year ended June 30, 2014, the Primary Health System adopted a newly issued accounting standard that requires retroactive adjustments to amounts previously reported as of and for the year ended June 30, 2013, with a cumulative effect adjustment to net position as of June 30, 2012. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information: Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (shown on pages 3 through 11) be presented to supplement the basic combined financial statements. Such information, although not a part of the basic combined financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic combined financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic combined financial statements, and other knowledge we obtained during our audit of the basic combined financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Pershing Yoakley & Associates PC

Knoxville, Tennessee
September 17, 2014

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of Chattanooga-Hamilton County Hospital Authority d/b/a Erlanger Health System's financial performance provides an overview of financial activities for the fiscal years ended June 30, 2014 and 2013.

Erlanger Health System (the Primary Health System) is the largest healthcare provider in Southeast Tennessee. The Primary Health System maintains a number of very specialized clinical services such as Level I trauma, Level III neonatal, kidney transplantation, a Regional Cancer Unit, a full service children's hospital, and open heart surgery, all of which are primarily serviced by four "Life Force" helicopters and supported by subspecialty physicians (residents, faculty and private attending physicians) located on its campuses.

OVERVIEW OF THE COMBINED FINANCIAL STATEMENTS

The combined financial statements consist of two parts: Management's Discussion and Analysis and the combined financial statements. The combined financial statements also include notes that explain in more detail some of the information in the combined financial statements.

The combined financial statements of the Primary Health System offer short-term and long-term financial information about its activities. The combined statements of net position include all of the Primary Health System's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to the Primary Health System's creditors (liabilities). The assets and liabilities are presented in a classified format, which distinguishes between current and long-term assets and liabilities. It also provides the basis for computing rate of return, evaluating the capital structure of the Primary Health System and assessing the liquidity and financial flexibility of the Primary Health System.

All of the fiscal year's revenues and expenses are accounted for in the combined statements of revenue, expenses, and changes in net position. These statements measure the success of the Primary Health System's operations and can be used to determine whether the Primary Health System has successfully recovered all of its costs through the services provided, as well as its profitability and credit worthiness.

The final required financial statement is the combined statements of cash flows. The primary purpose of these statements is to provide information about the Primary Health System's cash receipts, cash payments and net changes in cash resulting from operating, investing, non-capital financing and financing activities. The statements also provide answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period?

The analyses of the combined financial statements of the Primary Health System begins on the next page. One of the most important questions asked about the Primary Health System's finances is "Is the financial condition of the Primary Health System as a whole better or worse as a result of the fiscal year's activities?" The combined statements of net position and the combined statements of revenue, expenses and changes in net position report information about the Primary Health System's activities in a way that will help answer this question. These two statements report the net position of the Primary Health System and changes in the net position. One can think of the Primary Health System's net position – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in the Primary Health System's net position is one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, regulations and new or changed government legislation.

REPORTING ENTITY

The Chattanooga-Hamilton County Hospital Authority d/b/a Erlanger Health System (the Primary Health System) was created by a private act passed by the General Assembly of the State of Tennessee on March 11, 1976, and adopted by a majority of the qualified voters of Hamilton County, Tennessee on August 5, 1976. The Primary Health System is considered the primary governmental unit for financial reporting purposes. As required by generally accepted accounting principles, these financial statements present the Primary Health System and its component units. The component units discussed below are included in the Primary Health System's reporting entity because of the significance of their operational, financial or other relationships with the Primary Health System.

ContinuCare HealthServices, Inc., Plaza Surgery, G.P., Cyberknife of Chattanooga, LLC (Cyberknife), UT-Erlanger Medical Group, Inc. (the Medical Group) and Erlanger Health Plan Trust are legally separate organizations for which the Primary Health System is either financially accountable or owns a majority interest. Accordingly, these organizations represent component units of the Primary Health System. The financial statements of Erlanger Health Plan Trust are blended with the financial statements of the Primary Health System, as the Board of Erlanger Health Plan Trust is substantially the same as that of the Primary Health System and the Primary Health System has operational responsibility.

During 2012, the Primary Health System acquired 100% ownership in Plaza Surgery, G.P. As a result, Plaza Surgery, G.P.'s operations are no longer distinct from the Primary Health System. During fiscal year 2011, Cyberknife was capitalized by contributions from the Primary Health System and certain other minority partners. Cyberknife provides radiation therapy services, specifically robotic stereotactic radiosurgical services through the use of a Cyberknife stereotactic radiosurgery system on the Primary Health System's campus. At June 30, 2014,

2013 and 2012, the Primary Health System owned 51% of Cyberknife's outstanding membership units. The Medical Group was formed on June 30, 2011 and will provide professional healthcare and related services to the public through its employed and contracted licensed physicians and other supporting healthcare providers. The Medical Group has no members; however, the Primary Health System may access the Medical Group's services. The Medical Group is currently not active.

KEY FINANCIAL INDICATORS

The following key financial indicators are for Erlanger Health System as a whole. They are inclusive of the Primary Health System, ContinuCare HealthServices, Inc., and the 51% controlling share of Cyberknife of Chattanooga, LLC.

- Excess revenues over expenses from operations for Erlanger Health System for the fiscal year 2014 is $18.0 million compared to excess expenses over revenues of $7.9 million for the fiscal year 2013 and excess expenses over revenues of $9.5 million for the fiscal year 2012.

- Total cash and investment reserves at June 30, 2014 are $139 million (excluding $31 million of funds held by Trustees or restricted by donors or others).

- Net days in accounts receivable for Erlanger Health System (utilizing a three month rolling average of net revenue) is 50 days at June 30, 2014 compared to 50 days at June 30, 2013 and 53 days at June 30, 2012.

- For fiscal year 2014, Erlanger Health System recognized $19.6 million in public hospital supplemental payments from the State of Tennessee.

- For fiscal year 2014, Erlanger Health System recognized $12.8 million in essential access payments from the State of Tennessee compare to $10.6 million in fiscal year 2013 and $11.4 million in fiscal year 2012.

- For fiscal year 2014, Erlanger Health System did not recognize disproportionate share payments from the State of Tennessee compared to $8.5 million in fiscal year 2013 and $9.2 million in fiscal year 2012.

- For fiscal year 2014, Erlanger Health System recognized $0.9 million in trauma fund payments from the State of Tennessee compared to $1.1 million in fiscal year 2013 and $1.0 million in fiscal year 2012.

- For fiscal year 2012, Erlanger Health System recognized $3.3 million in a Medicare rural floor budget neutrality settlement payment.

The required bond covenants ratios for fiscal year 2014 compared to bond requirements are as follows:

		Master	*Bond Insurer Requirements*		
	June 30, 2014	*Trust Indenture*	*98 Series*	*00 Series*	*04 Series*
Debt service coverage ratio	2.40	1.10	1.10	1.35	1.35
Cushion ratio	7.30	N/A	1.50	N/A	N/A
Current ratio	2.57	N/A	1.50	1.50	1.50
Days cash on hand	87	N/A	N/A	65 days	65 days
Indebtedness ratio	48%	N/A	N/A	N/A	65%
Operating cash flow margin	8%	N/A	N/A	5%	5%

The trust indentures and related documents underlying the bonds contain certain covenants and restrictions. For fiscal year 2014, Erlanger Health System met all required debt covenants. For fiscal year 2013, Erlanger Health System failed to satisfy the debt service coverage ratio required by one of the bond insurers. As a result of the non-compliance, the Primary Health System obtained a waiver from the bond insurer.

NET POSITION

Erlanger Health System's net position for the combined Primary Health System and Aggregate Discretely Presented Component Units increased by approximately $14 million in fiscal year 2014. Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the Primary Health System's operating activities. Discussion focuses on the Primary Health System and its blended component units.

Net position for the Primary Health System increased from $182 million as of June 30, 2013 to $195 million as of June 30, 2014. The current ratio (current assets divided by current liabilities) increased from 2.25 in 2013 to 2.52 in 2014 for the Primary Health System.

CHATTANOOGA-HAMILTON COUNTY HOSPITAL AUTHORITY
(d/b/a Erlanger Health System)

Management's Discussion and Analysis - Continued

Years Ended June 30, 2014 and 2013

Table 1- Net Position (in Millions)

	June 30, 2014		June 30, 2013		June 30, 2012 (before GASB 65 adoption)	
	Primary Health System	Discretely Presented Component Units	Primary Health System	Discretely Presented Component Units	Primary Health System	Discretely Presented Component Units
Current and other assets	$ 333	$ 12	$ 309	$ 12	$ 328	$ 12
Capital assets	149	9	161	10	158	10
Total assets	480	21	470	22	486	22
Deferred outflows of resources	1	-	1	-	-	-
	$ 481	$ 21	$ 471	$ 22	$ 486	$ 22
Long-term debt outstanding	$ 159	$ 3	$ 170	$ 3	$ 177	$ 4
Other liabilities	123	3	114	4	109	4
Total liabilities	282	6	284	8	286	8
Deferred inflows of resources	4	-	4	-	-	-
	$ 286	$ 6	$ 289	$ 8	$ 286	$ 8
Net position						
Net investment in capital assets	$ 1	$ 5	$ 10	$ 6	$ -	$ 5
Restricted, expendable	2	-	2	-	2	-
Unrestricted	191	9	170	8	198	9
Total net position	$ 194	$ 14	$ 182	$ 14	$ 200	$ 14

Days in cash increased from 73 days as of June 30, 2013 to 88 days as of June 30, 2014 for the Primary Health System resulting from increased operating margins combined with a $19.6 million public hospital supplemental payment received from the State of Tennessee in fiscal year 2014. Days in cash decreased from 81 days as of June 30, 2012 to 73 days as of June 30, 2013 for the Primary Health System due to decreased operating margins combined with a $8 million receivable for funds drawn on a line of credit extended to Hutcheson Medical Center, Inc. in fiscal year 2013.

Days in net accounts receivable were 51 days as of June 30, 2014 and June 30, 2013. Days in net accounts receivable decreased from 55 days as of June 30, 2012 to 51 days as of June 30, 2013.

Capital assets for the Primary Health System were $149 million as of June 30, 2014. Additions for fiscal year 2014 totaled $14 million while $5 million of assets were retired. Depreciation expense was $26 million for the Primary Health System. Retirement of assets reduced accumulated depreciation by $5 million in fiscal year 2014. Construction in progress was $5 million as of June 30, 2014. Included in construction in progress are Erlanger East development costs of $2.5 million.

Capital assets for the Primary Health System were $161 million as of June 30, 2013. Additions for fiscal year 2013 totaled $30 million while $4 million of assets were retired. Depreciation expense was $27 million for the Primary Health System. Retirement of assets reduced accumulated depreciation by $4 million in fiscal year 2013. Construction in progress was $9 million as of June 30, 2013. Included in construction in progress at June 30, 2013 are surgical suite expansion projects totaling $3.2 million

	Primary Health System		
	2014	*2013*	*2012*
Land and improvements	$ 26	$ 26	$ 25
Buildings	234	231	224
Equipment	377	367	351
Total	637	624	600
Less accumulated depreciation	(493)	(472)	(449)
Construction in progress	5	9	7
Net property, plant and equipment	$ 149	$ 161	$ 158

Long-term debt outstanding amounted to $159 million as of June 30, 2014 compared to $169 million as of June 30, 2013. The decrease in long-term debt reflects normal scheduled principal payments. Long-term debt outstanding amounted to $169 million as of June 30, 2013 compared to $177 million as of June 30, 2012. The decrease in long-term debt reflects normal scheduled principal payments.

Other liabilities for the Primary Health System were $123 million as of June 30, 2014, $119 million at June 30, 2013, compared to $108 million as of June 30, 2012.

CHANGES IN NET POSITION

The focus for Erlanger Health System's management team during fiscal year 2014 and 2013 was to increase the Primary Health System's volumes in a number of key product lines in a downturned economy, improve relationships with stakeholders, and improve operating efficiencies.

CHATTANOOGA-HAMILTON COUNTY HOSPITAL AUTHORITY
(d/b/a Erlanger Health System)

Management's Discussion and Analysis - Continued

Years Ended June 30, 2014 and 2013

Table 2- Changes in Net Position (in Millions)

	June 30, 2014		June 30, 2013		June 30, 2012	
	Primary Health System	Discretely Presented Component Units	Primary Health System	Discretely Presented Component Units	Primary Health System	Discretely Presented Component Units
Net patient revenue	$ 571	$ 11	$ 526	$ 12	$ 514	$ 12
Other revenue	21	17	19	16	22	16
Total revenue	592	28	545	28	536	28
Expenses:						
Salaries	305	14	298	13	300	13
Supplies and other expenses	126	10	113	11	116	11
Purchased services	117	3	114	3	104	3
Depreciation and amortization	26	1	27	1	26	1
Total expenses	574	28	552	28	546	28
Operating income revenues in excess of (less than) expenses	18	1	(7)	-	(10)	-
Nonoperating gains	2	-	-	-	4	-
Interest expense and other	(9)	-	(7)	-	(11)	-
Operating/capital contributions	1	-	-	-	-	-
Change in net position	$ 12	$ 1	$ (14)	$ -	$ (17)	$ -

Net patient service revenue for the Primary Health System increased from $526 million in fiscal year 2013 to $571 million in fiscal year 2014. Admissions for fiscal year 2014 increased by 4.8% when compared to fiscal year 2013, while surgical mix increased over the prior year by 1.8%. The Erlanger East emergency room generated 15,900 additional emergency room visits compared to prior year.

Net patient service revenue for the Primary Health System increased from $514 million in fiscal year 2012 to $526 million in fiscal year 2013. Admissions for fiscal year 2013 were comparable to fiscal year 2012, however, case mix increased over the prior year by 1.6%. The Erlanger East emergency room opened in March 2013 generating 6,100 additional emergency room visits compared to prior year.

Salaries for the Primary Health System increased from $298 million in fiscal year 2013 to $305 million in fiscal year 2014. Staffing was in concert with the increased volumes. Paid FTE's per adjusted occupied bed decreased from 5.40 in fiscal year 2013 to 5.13 in fiscal year 2014, however, salary cost for fiscal year 2014 per hour increased by 2.2 % over the prior year. Inclement weather in January 2014 and February 2014 resulted in increased overtime wages. Salaries for the Primary Health System decreased from $300 million in fiscal year 2012 to $298 million in fiscal year 2013. Paid FTE's per adjusted occupied bed decreased from 5.60 in fiscal year 2012 to 5.40 in fiscal year 2013.

Supplies and other expenses increased from $113 million for fiscal year 2013 to $126 million in fiscal year 2014. Supplies and drug costs trended with the volume increases. Supplies and drugs per adjusted admission for the Primary Health System decreased from $1,587 in fiscal year 2013 to $1,555 in fiscal year 2014. Supplies and other expenses decreased from $116 million for fiscal year 2012 to $113 million for fiscal year 2013. Supplies and drugs per adjusted admission for the Primary Health System decreased from $1,675 in fiscal year 2012 to $1,587 in fiscal year 2013.

Purchased Services increased from $114 million in fiscal year 2013 to $117 million in fiscal year 2014 due primarily to the outsourcing of food and environmental services. Purchased Services increased from $104 million in fiscal year 2012 to $114 million in fiscal year 2013 due to contracted service expenditures assumed with the purchase of Plaza Surgery's minority interest, fees associated with the third party operational assessment and implementation, and an increase in rent expense resulting from the sale of the Erlanger East POB.

Depreciation and amortization expense decreased from $27 million in fiscal year 2013 to $26 million in fiscal year 2014 due to decreased capital spending. Depreciation and amortization expense increased from $26 million in fiscal year 2012 to $27 million in fiscal year 2013 due, in part, to the addition of the Erlanger East emergency room.

Interest expense, including gain (or loss) on mark-to-market of interest rate swaps, increased from $7 million in fiscal year 2013 to $9 million in fiscal year 2014. The market value of the liability for the mark-to-market of interest rate swaps increased by $.9 million in fiscal year 2014 compared to an increase of $2.3 million in fiscal year 2013. Interest expense, including gain (or loss) on mark-to-market of interest rate swaps, decreased from $11 million in fiscal year 2012 to $7 million in fiscal year 2013. The market value of the liability for the mark-to-market of interest rate swaps increased by $2.3 million in fiscal year 2013 compared to a decrease of $1.1 million in fiscal year 2012.

OUTLOOK

The State of Tennessee continues to review the TennCare program (the State's Medicaid program). For fiscal years 2012 and 2013, the State passed a Hospital Coverage Fee to offset shortfalls in the State's budget for TennCare. The fee remained intact and TennCare rates were stable in fiscal year 2014. There could be possible TennCare rate changes in fiscal year 2015 as a result of rate variation initiatives. Out-of-state Medicaid and TennCare changes would affect the Primary Health System's bottom line with TennCare and Medicaid patients representing approximately 22% of the payer mix. Self Pay patients represent approximately 10% of the charge utilization. Healthcare reform and future changes in Medicare regulations could also have an adverse effect on the Primary Health System's future operations since Medicare represents approximately 33% of the payer mix.

During fiscal year 2014, the Primary Health was added as a participant to the Public Hospital Supplemental Payment Pool for public hospitals in Tennessee through a collaborative effort with local Mayors, State Senators and Representatives, Hamilton County Medical Society, Board members, physicians and hospital leadership. The inclusion of the Primary Health System in the pool netted $19.6 million of additional federal funding for fiscal year 2014. The Primary Health System will receive this funding annually as long as the current TennCare waiver is intact.

The Primary Health System also secured a 5-year partnership agreement with BlueCross BlueShield of Tennessee (BCBST) to be the exclusive provider for new members under the health insurance exchange. BCBST is Tennessee's largest insurer and Chattanooga's largest provider. In addition to the exclusivity, the partnership included a $1M innovation grant and a combined marketing effort specifically aimed at major Chattanooga employers. The partnership provides for a more predictable, longer-term stable relationship with BCBST.

The Primary Health System recognized Essential Access payments totaling $12.8 million from the State of Tennessee for fiscal year 2014, an increase of $2.2 million from fiscal year 2013. Disproportionate share payments were not approved by Federal government for fiscal year 2014. The Primary Health System received Disproportionate Share Payments of $8.5 million in fiscal year 2013. The Primary Health System recognized Essential Access and Disproportionate Share payments totaling $19.1 million from the State of Tennessee for fiscal year 2013, a decrease of $1.5 million from fiscal year 2012. Additionally, the Primary Health System recognized trauma funding of $.9 million in fiscal year 2014 compared to $1.1 million in fiscal year 2013 and $1.0 million in fiscal year 2012. Payments from the State of Tennessee for the fiscal year 2015 are expected to be consistent with the fiscal year 2014. Due to the 1966 Hamilton County Sales Tax Agreement expiring in May 2011, the Hamilton County appropriations to the Primary Health System have been reduced from $3 million to $1.5 million for fiscal years 2014 and 2013.

Several initiatives continue to be underway to increase the Primary Health System's profitable position for the upcoming fiscal year. Operating improvements are being implemented to continue to reduce expenses and grow surgical volumes. Increased surgery volumes are essential to the financial health of the Primary Health System.

Audited Combined Financial Statements

CHATTANOOGA-HAMILTON COUNTY HOSPITAL AUTHORITY
(d/b/a Erlanger Health System)

Combined Statements of Net Position - Continued

	June 30, 2014	
	Primary Health System	*Discretely Presented Component Units*
CURRENT ASSETS:		
Cash and cash equivalents	$ 44,202,064	$ 765,461
Temporary investments	1,384,865	5,564,277
Assets limited as to use available for current liabilities	7	-
Patient accounts receivable, net	79,428,961	1,950,888
Estimated amounts due from third party payers	11,408,963	-
Due from other governments	126,882	369,250
Inventories	11,612,639	1,133,754
Receivable from Hutcheson Medical Center	20,550,000	-
Other current assets	14,091,719	1,391,485
TOTAL CURRENT ASSETS	182,806,100	11,175,115
NET PROPERTY, PLANT AND EQUIPMENT	148,545,204	9,005,633
LONG-TERM INVESTMENTS, for working capital	326,139	-
ASSETS LIMITED AS TO USE	131,928,433	-
OTHER ASSETS:		
Prepaid bond insurance	2,093,412	-
Equity in discretely presented component units and other	14,124,270	-
Other assets	437,820	946,676
TOTAL OTHER ASSETS	16,655,502	946,676
TOTAL ASSETS	480,261,378	21,127,424
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts from debt refunding	723,313	-
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 480,984,691	$ 21,127,424
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 41,948,260	$ 1,461,825
Accrued salaries and related liabilities	14,805,150	856,123
Estimated amounts due to third party payers	-	109,881
Due to other governments	369,250	126,882
Current portion of long-term debt and capital lease obligations	10,809,288	616,369
Other current liabilities	4,648,355	175,587
TOTAL CURRENT LIABILITIES	72,580,303	3,346,667
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS	159,321,067	3,143,710
PENSION AND POST-EMPLOYMENT BENEFIT OBLIGATIONS	26,680,336	-
OTHER LONG-TERM LIABILITIES	23,913,836	-
TOTAL LIABILITIES	282,495,542	6,490,377
DEFERRED INFLOWS OF RESOURCES		
Deferred gain from sale-leaseback	3,935,725	-
NET POSITION:		
Unrestricted	190,840,242	9,316,184
Net investment in capital assets	1,234,111	5,320,863
Restricted expendable	2,479,071	-
TOTAL NET POSITION	194,553,424	14,637,047
LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES AND NET POSITION	$ 480,984,691	$ 21,127,424

See notes to combined financial statements.

CHATTANOOGA-HAMILTON COUNTY HOSPITAL AUTHORITY
(d/b/a Erlanger Health System)

Combined Statements of Net Position - Continued

	June 30, 2013 (Restated)	
	Primary Health System	*Discretely Presented Component Units*
CURRENT ASSETS:		
Cash and cash equivalents	$ 17,250,905	$ 930,587
Temporary investments	13,797,542	2,938,131
Assets limited as to use available for current liabilities	28,275	-
Patient accounts receivable, net	73,561,669	2,408,177
Estimated amounts due from third party payers	3,116,389	-
Due from other governments	528,032	377,239
Inventories	11,861,728	1,161,097
Receivable from Hutcheson Medical Center	20,550,000	-
Other current assets	20,129,320	1,917,719
TOTAL CURRENT ASSETS	160,823,860	9,732,950
NET PROPERTY, PLANT AND EQUIPMENT	160,973,575	9,643,816
LONG-TERM INVESTMENTS, for working capital	1,790,946	1,599,946
ASSETS LIMITED AS TO USE	130,231,028	-
OTHER ASSETS:		
Prepaid bond insurance	2,367,769	-
Equity in discretely presented component units and other	13,639,860	-
Other assets	437,820	858,972
TOTAL OTHER ASSETS	16,445,449	858,972
TOTAL ASSETS	470,264,858	21,835,684
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts from debt refunding	809,251	-
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 471,074,109	$ 21,835,684
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 46,945,723	$ 1,425,315
Accrued salaries and related liabilities	14,015,721	910,318
Estimated amounts due to third party payers	-	93,625
Due to other governments	377,239	528,032
Current portion of long-term debt and capital lease obligations	8,058,625	556,698
Other current liabilities	2,194,117	838,223
TOTAL CURRENT LIABILITIES	71,591,425	4,352,211
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS	170,179,424	3,445,959
PENSION AND POST-EMPLOYMENT BENEFIT OBLIGATIONS	17,406,052	-
OTHER LONG-TERM LIABILITIES	25,100,226	-
TOTAL LIABILITIES	284,277,127	7,798,170
DEFERRED INFLOWS OF RESOURCES		
Deferred gain from sale-leaseback	4,400,481	-
NET POSITION:		
Unrestricted	170,051,736	8,321,046
Net investment in capital assets	10,125,742	5,716,468
Restricted expendable	2,219,023	-
TOTAL NET POSITION	182,396,501	14,037,514
LIABILITES, DEFERRED OUTFLOWS OF RESOURCES AND NET POSITION	$ 471,074,109	$ 21,835,684

See notes to combined financial statements.

CHATTANOOGA-HAMILTON COUNTY HOSPITAL AUTHORITY
(d/b/a Erlanger Health System)

Combined Statements of Revenue, Expenses and Changes in Net Position - Continued

	Year Ended June 30, 2014	
	Primary Health System	*Discretely Presented Component Units*
OPERATING REVENUE:		
Charges for services:		
Net patient service revenue	$ 571,264,197	$ 11,231,722
Other revenue	20,718,399	17,098,407
TOTAL OPERATING REVENUE	591,982,596	28,330,129
OPERATING EXPENSES:		
Salaries, wages and benefits	305,113,185	13,638,588
Supplies and other expenses	122,623,180	10,246,727
Purchased services	117,156,784	2,573,864
Insurance and taxes	2,988,771	379,274
Depreciation	26,182,683	1,109,747
TOTAL OPERATING EXPENSES	574,064,603	27,948,200
OPERATING INCOME	17,917,993	381,929
NONOPERATING REVENUE (EXPENSES):		
Gain on disposal of assets	371,296	18,496
Interest and investment income, net of fees	245,537	397,461
Net gain from discretely presented component units and other	484,410	-
Interest expense	(8,559,590)	(181,803)
Provision for income taxes	-	(16,550)
Change in mark-to-market of interest rate swaps	873,783	-
NET NONOPERATING REVENUE (EXPENSES)	(6,584,564)	217,604
INCOME BEFORE CONTRIBUTIONS	11,333,429	599,533
Operating contributions	382,825	-
Capital contributions	440,669	-
CHANGE IN NET POSITION	12,156,923	599,533
NET POSITION AT BEGINNING OF YEAR	182,396,501	14,037,514
NET POSITION AT END OF YEAR	$ 194,553,424	$ 14,637,047

See notes to combined financial statements.

CHATTANOOGA-HAMILTON COUNTY HOSPITAL AUTHORITY
(d/b/a Erlanger Health System)

Combined Statements of Revenue, Expenses and Changes in Net Position - Continued

	Year Ended June 30, 2013 (Restated)	
	Primary Health System	*Discretely Presented Component Units*
OPERATING REVENUE:		
Charges for services:		
Net patient service revenue	$ 526,139,300	$ 11,345,856
Other revenue	18,969,187	16,241,907
TOTAL OPERATING REVENUE	545,108,487	27,587,763
OPERATING EXPENSES:		
Salaries, wages and benefits	297,831,739	13,607,440
Supplies and other expenses	110,970,317	10,199,559
Purchased services	114,011,044	2,981,048
Insurance and taxes	2,476,434	295,336
Depreciation	26,856,073	1,045,235
TOTAL OPERATING EXPENSES	552,145,607	28,128,618
OPERATING LOSS	(7,037,120)	(540,855)
NONOPERATING REVENUE (EXPENSES):		
Gain on disposal of assets	244,660	590,326
Interest and investment income, net of fees	24,827	104,642
Net loss from discretely presented component units and other	(261,887)	(175,000)
Interest expense	(9,190,977)	(208,669)
Provision for income taxes	-	(8,663)
Change in mark-to-market of interest rate swaps	2,256,035	-
NET NONOPERATING REVENUE (EXPENSES)	(6,927,342)	302,636
LOSS BEFORE CONTRIBUTIONS	(13,964,462)	(238,219)
Operating distributions	7,248	-
Capital contributions/other, net	220,977	-
CHANGE IN NET POSITION	(13,736,237)	(238,219)
NET POSITION AT BEGINNING OF YEAR, as previously reported	199,949,930	14,275,733
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(3,817,192)	-
NET POSITION AT BEGINNING OF YEAR	196,132,738	14,275,733
NET POSITION AT END OF YEAR	$ 182,396,501	$ 14,037,514

See notes to combined financial statements.

CHATTANOOGA-HAMILTON COUNTY HOSPITAL AUTHORITY
(d/b/a Erlanger Health System)

Combined Statements of Cash Flows - Continued

	Primary Health System Year Ended June 30, 2014	*2013*
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from third-party payers and patients	$ 561,765,342	$ 527,371,215
Payments to vendors and others for supplies, purchased services, and other expenses	(245,573,098)	(217,039,131)
Payments to and on behalf of employees	(295,049,472)	(297,118,972)
Other receipts	22,685,770	23,375,977
NET CASH PROVIDED BY OPERATING ACTIVITIES	43,828,542	36,589,089
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Contributions	382,825	7,248
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets, net	(13,929,432)	(30,339,955)
Principal paid on bonds, capital lease obligations and other	(8,048,272)	(7,900,842)
Proceeds from sale of assets	81,660	473,130
Interest payments on long-term debt	(8,258,717)	(8,971,728)
Capital contributions	440,669	220,977
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(29,714,092)	(46,518,418)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest, dividends, and net realized gains (losses) on investments	245,537	2,468,950
Change in temporary and long-term investments for working capital	13,877,484	(815,435)
Advances under note agreements	-	(8,050,000)
Net cash provided by (transferred to) assets limited as to use	(1,669,137)	5,749,002
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	12,453,884	(647,483)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	26,951,159	(10,569,564)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	17,250,905	27,820,469
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 44,202,064	$ 17,250,905

See notes to combined financial statements.

CHATTANOOGA-HAMILTON COUNTY HOSPITAL AUTHORITY
(d/b/a Erlanger Health System)

Combined Statements of Cash Flows - Continued

	Primary Health System Year Ended June 30,	
	2014	*2013*
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	$ 17,917,993	$ (7,037,120)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	26,182,683	26,856,073
Amortization of other liabilities	(393,607)	(620,506)
Changes in assets and liabilities:		
Patient accounts receivable, net	(5,867,292)	3,079,769
Estimated amounts due from third party payers, net	(8,292,574)	(3,497,287)
Inventories and other assets	6,687,840	6,261,212
Accounts payable and accrued expenses	(4,916,463)	10,187,021
Accrued salaries and related liabilities	789,429	(135,013)
Other current and long-term liabilities	11,720,533	1,494,940
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 43,828,542	$ 36,589,089

SUPPLEMENTAL INFORMATION:

During the year ended June 30, 2013, The Primary Health System received a commitment from a third party to reimburse the Primary Health System for $1,900,000 in renovations performed at Erlanger East. The Primary Health System also recorded a liability in the amount of $1,900,000 that will be amortized (and recognized as operating revenue) over the lease term of 20 years.

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The Chattanooga-Hamilton County Hospital Authority d/b/a Erlanger Health System (the Primary Health System) was created by a private act passed by the General Assembly of the State of Tennessee on March 11, 1976, and adopted by a majority of the qualified voters of Hamilton County, Tennessee on August 5, 1976. The Chattanooga-Hamilton County Hospital Authority consists of the Primary Health System and its aggregate discretely presented component units as disclosed below.

The Primary Health System provides comprehensive healthcare services throughout Hamilton and Bledsoe counties, as well as outlying areas in southeastern Tennessee and north Georgia. These services are provided primarily through the hospital and other facilities located on the Baroness campus of Erlanger Medical Center. The Primary Health System also operates other hospitals and clinics throughout the area. The Primary Health System is considered the primary governmental unit for financial reporting purposes. As required by accounting principles generally accepted in the United States of America, these combined financial statements present the Primary Health System and its component units. The component units discussed below are included in the Primary Health System's reporting entity because of the significance of their operational or financial relationships with the Primary Health System.

The primary mission of the Primary Health System and its component units is to provide healthcare services to the citizens of Chattanooga, Hamilton County and the surrounding area. Only those activities directly associated with this purpose are considered to be operating activities. Other activities that result in gains or losses unrelated to the Primary Health System's primary mission are considered to be nonoperating.

Erlanger Health Plan Trust, Plaza Surgery, G.P., ContinuCare HealthServices, Inc., Cyberknife of Chattanooga, LLC, and UT-Erlanger Medical Group, Inc. are legally separate organizations which the Primary Health System has determined are component units of the Primary Health System.

Blended Component Units: The financial statements of Erlanger Health Plan Trust include assets limited as to use totaling $1,627,033 and $1,619,834 as of June 30, 2014 and 2013, respectively, and net investment income totaling $7,199 and $9,987 for the years ended June 30, 2014 and 2013, respectively, that are blended in the combined financial statements of the Primary Health System. The board of the Erlanger Health Plan Trust is substantially the same as that of the Primary Health System and the Primary Health System has operational responsibility.

Plaza Surgery, G.P. (Plaza) was a joint venture which operated an ambulatory surgery center on the Primary Health System's campus. In 2012, the Primary Health System purchased all the remaining outstanding units of Plaza and its operations were transferred to the Primary Health

System, although Plaza remains a separate legal entity. Plaza had no assets, liabilities or operations in 2014 or 2013.

Discretely Presented Component Units: The discretely presented component units column in the combined financial statements includes the financial data of the Primary Health System's other component units. They are reported in a separate column to emphasize that they are legally separate from the Primary Health System. See the combined, condensed financial information in Note Q.

1. ContinuCare HealthServices, Inc. and subsidiary (ContinuCare) provide health and supportive services to individuals in their homes in the Hamilton County and north Georgia areas. ContinuCare also provides retail pharmacy goods and services at four locations in Hamilton County. The Primary Health System owns 100% of the stock of ContinuCare. Separately audited financial statements for ContinuCare HealthServices, Inc. may be obtained by mailing a request to 1501 Riverside Drive, Suite 140, Chattanooga, Tennessee 37406.

2. Cyberknife of Chattanooga, LLC (Cyberknife) provides radiation therapy services, specifically robotic stereotactic radiosurgical services, through the use of a cyberknife stereotactic radiosurgery system on the Primary Health System's campus. At June 30, 2014 and 2013 the Primary Health System owns 51% of Cyberknife's outstanding membership units and Cyberknife is fiscally dependent on the Primary Health System.

   A condition of admission as a Member of Cyberknife, is to deliver limited guaranties, guaranteeing prorata repayment of indebtedness of Cyberknife incurred to finance its equipment costs and its working capital needs. As of June 30, 2014 and 2013, total debt outstanding was $3,679,502 and $3,916,667, respectively, with payments due through 2016. Management believes that the Primary Health System will not be required to make any payments related to the guarantee of this indebtedness.

3. UT-Erlanger Medical Group, Inc. (the Medical Group) was formed on June 30, 2011 and will provide professional healthcare and related services to the public through employed and contracted licensed physicians and other supporting healthcare providers. The Medical Group has no members; however, the Primary Health System may access the Medical Group's services. The Primary Health System is not entitled to any potential earnings of the Medical Group except for compensation for services rendered to the Medical group on its behalf. However, based upon the significance of the Medical Group's potential operation to the Primary Health System, management believes its exclusion would be misleading and as such, includes the Medical Group as a component unit. The Medical Group is currently not active.

Erlanger Health System Foundations (the Foundation): The Foundation assists the Primary Health System to promote and develop charitable and educational opportunities as they relate to healthcare services provided by the Primary Health System. The Primary Health System is not financially accountable for the Foundation and as a result the Foundation has not been included in the combined financial statements.

Contributions from the Foundation totaling approximately $1,170,000 and $920,000 for the years ended June 30, 2014 and 2013, respectively, were recognized as contribution revenue by the Primary Health System. The Primary Health System provided support to the Foundation of $730,000 in 2014 and $347,000 in 2013.

Use of Estimates: The preparation of the combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the combined financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Enterprise Fund Accounting: The Primary Health System and its blended component units utilize the enterprise fund method of accounting whereby revenue and expenses are recognized on the accrual basis using the economic resources measurement focus.

Recently Issued or Effective Accounting Pronouncements: In June 2011, the Governmental Accounting Standards Board (GASB) issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* This Statement amends the net asset reporting requirements of GASB Statement No. 34 and other pronouncements by incorporating deferred outflows and inflows of resources into the definitions of the required components of the residual measure and renaming that measure as net position, rather than net assets. The requirements of this Statement were adopted by the Primary Health System in fiscal year 2013 and the adoption did not have a material impact on the combined financial statements.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities.* Statement No. 65 establishes reporting standards that reclassify items previously reported as assets or liabilities as deferred inflows or outflows and was adopted by the Primary Health System in 2014. GASB Statement No. 65 further requires that costs associated with the issuance of long-term debt, other than insurance costs, be expensed in the period incurred, rather than deferred and amortized over the term of the related debt. As a result of the retroactive application of this guidance, certain amounts previously reported as of and for the year ended June 30, 2013, have been restated and a cumulative effect adjustment has been recorded to the net position as of June 30, 2012. The effect of this application on previously reported combined financial statement amounts for the Primary Health System reduced deferred financing cost

reported at June 30, 2013 by $3,466,006 and reduced interest expense for the year ended June 30, 2013 by $351,186.

Further, GASB 65 requires certain amounts previously reported as assets or liabilities be reclassified as deferred outflows or inflows. Such items include the unrecognized gain on a sale-leaseback transaction and losses on previously refunded debt. The 2013 combined financial statements have been reclassified to conform with these provisions of Statement No. 65.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 provides guidance for improved accounting and financial reporting by state and local government entities related to pensions. It also replaces the requirements of GASB Statement No. 27 and Statement No. 50, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. Additionally, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Management Date*, which is effective concurrent with Statement No. 68. Among other requirements, the Primary Health System will have to record a net pension liability that is based on fiduciary plan net position rather than on plan funding an provide explanatory disclosures in the notes to the financial statements. These Statements are required for fiscal years beginning after June 15, 2014 with early adoption encouraged. These Statements will be effective for the Primary Health System in 2015 and management and its actuaries are currently evaluating its impact on the combined financial statements.

Net Patient Service Revenue/Receivables: Net patient service revenue is reported on the accrual basis in the period in which services are provided at rates which reflect the amount expected to be collected. Net patient service revenue includes amounts estimated by management to be reimbursable by third-party payer programs under payment formulas in effect. Net patient revenue also includes an estimated provision for bad debts based upon management's evaluation of collectability based upon the age of the receivables and other criteria, such as payer classification and management's assumptions about conditions it expects to exist and courses of action it expects to take. The Primary Health System's policies do not require collateral or other security for accounts receivable, although the Primary Health System routinely accepts assignment or is otherwise entitled to receive patient benefits payable under health insurance programs, plans or policies. Supplemental payments from the State of Tennessee are recognized when determinable (see Note B).

Charity Care: The Primary Health System accepts patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain policies established by the County Auditor with regard to the Hamilton County indigent program or by the Primary Health System for other patients. Essentially, these policies define charity services as those services for which minimal payment is anticipated. In assessing a patient's inability to pay, the County and the Primary Health System utilize the generally recognized poverty income levels, but also include

certain cases where incurred charges are significant when compared to the income of the patient. These charges are not included in net patient service revenue.

Cash Equivalents: The Primary Health System considers all highly liquid investments with maturities of three months or less when purchased, excluding amounts whose use is limited by board designation, held by trustees under indenture agreement, or otherwise restricted as to use, to be cash equivalents.

Inventories: Inventories consist principally of medical and surgical supplies, general store supplies, and pharmacy items and are stated at lower of cost (first-in, first-out) or fair market value.

Investments: The Primary Health System's investments (including assets limited as to use) are reported at fair market value based on quoted market prices. Assets limited as to use include funds designated by the Board, funds held by trustees under trust indentures, and funds restricted by donors or grantors for specific purposes. The Primary Health System considers those investments with maturities of more than three months when purchased, maturing in more than one year and whose use is not limited by board designation, held by trustees under indenture agreement, or otherwise restricted as to use, to be long-term investments. Investments, including assets limited as to use, consist of United States government, government agency and municipal bonds, corporate debt and other short-term investments.

Temporary Investments: The Primary Health System considers all highly liquid investments with maturities of more than three months when purchased and maturing in less than one year, excluding amounts whose use is limited by board designation, held by trustees under indenture agreement, or otherwise restricted as to use, to be temporary investments. Temporary investments consist primarily of United States government agency bonds, municipal bonds and commercial paper.

Derivative Instruments: The Primary Health System records all derivatives as assets or liabilities on the combined statements of net position at estimated fair value and includes credit value adjustments. The Primary Health System's derivative holdings consist of interest rate swap agreements. Since these derivatives have not been determined to be effective, the gain or loss resulting from changes in the fair value of the derivatives is recognized in the accompanying combined statements of revenue, expenses and changes in net position. The Primary Health System's objectives in using derivatives are to take advantage of the differences between taxable and tax-exempt debt, and manage exposure to interest rate risks associated with various debt instruments (see Note N).

Net Property, Plant and Equipment: Property, plant and equipment is recorded on the basis of cost. Donated assets are recorded at their fair market value at the date of donation. Leases that

are substantially installment purchases of property are recorded as assets and amortized over their estimated useful lives ranging from three to thirty years; related amortization is included in depreciation expense. Depreciation expense is computed over estimated service lives of the respective classes of assets using the straight-line method. The Primary Health System has established a capitalization threshold for property, plant and equipment of $2,500 except for computer equipment, which has a threshold of $1,000. Interest expense and interest income on borrowed funds related to construction projects are capitalized during the construction period, if material. Costs of maintenance and repairs are charged to expense as incurred.

The Primary Health System reviews the carrying value of capital assets if facts and circumstances indicate that recoverability may be impaired. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. The Primary Health System did not experience any prominent events or changes in circumstances affecting capital assets which would require determination as to whether impairment of a capital asset has occurred during the years ended June 30, 2014 and 2013.

Compensated Absences: The Primary Health System recognizes an expense and accrues a liability for employees' paid annual leave and short-term disability in the period in which the employees' right to such compensated absences are earned. Liabilities expected to be paid within one year are included as accrued salaries and related liabilities in the accompanying combined statements of net position.

Prepaid Bond Insurance: Deferred financing costs consist of insurance costs associated with bond issues and are being amortized, generally, over the terms of the respective debt issues by the effective interest method.

Income Taxes: The Primary Health System is exempt from income taxes under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, it qualifies for exemption from federal income taxes pursuant to IRC Section 115 as an instrumentality of the State of Tennessee. Therefore, no provision for income taxes has been recognized in the accompanying combined financial statements for the Primary Health System. Certain tax returns that are required for the years ended June 30, 2010 through 2013 are subject to examination by taxing authorities.

As a for-profit entity, ContinuCare is subject to state and federal income taxes. ContinuCare HealthServices, Inc. and its subsidiary file consolidated federal income tax returns separately from the Primary Health System. At June 30, 2014 and 2013, ContinuCare had no significant uncertain tax positions. Tax returns for the years ended June 30, 2008 through 2013 are subject to examination by taxing authorities.

As a Limited Liability Corporation, Cyberknife, a discretely presented component unit, is subject to State of Tennessee income taxes. At June 30, 2014 and 2013, Cyberknife had no significant uncertain tax positions. Tax returns for the years ended June 30, 2010 through 2013 are subject to examination by taxing authorities.

Contributed Resources: Resources restricted by donors for specific operating purposes are held as restricted funds and are recognized as operating or capital contributions in the accompanying combined financial statements. When expended for the intended purpose, they are reported as operating distributions and are recognized as other operating revenue. Contributed resources consist of amounts restricted by donors for specific purposes. Fundraising expenses are netted against contributions recognized.

Net Position: The net position of the Primary Health System is classified into three components. *Net investment in capital assets* consists of capital and other assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The *restricted expendable* net position consists of assets that must be used for a particular purpose that are either externally imposed by creditors, grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. *The unrestricted net position* is remaining assets that do not meet the definition of *net investment in capital assets* or *restricted expendable.*

Fair Value of Financial Instruments: The carrying amounts reported in the combined statements of net position for cash, accounts receivable, investments, accounts payable and accrued expenses approximate fair value.

The carrying value of long-term debt and capital lease obligations (including the current portion) was $170,130,355 as of June 30, 2014 and $178,238,049 as of June 30, 2013. The estimated fair value of long-term debt and capital lease obligations (including current portion) was $175,879,323 and $186,227,537 as of June 30, 2014 and 2013, respectively. The fair value of long-term debt related to fixed interest long-term debt and capital lease obligations was estimated using discounted cash flows, based on the Primary Health System's incremental borrowing rates or from quotes obtained from investment advisors. The fair value of long-term debt related to variable rate debt approximates its carrying value.

Subsequent Events: The Primary Health System evaluated all events or transactions that occurred after June 30, 2014 through September 17, 2014 , the date the combined financial statements were available to be issued.

Reclassifications: In addition to the adoption of GASB Statement 65, discussed previously, certain reclassifications have been made to the 2013 combined financial statements to conform with the 2014 combined financial statement presentation.

NOTE B--NET PATIENT SERVICE REVENUE

A reconciliation of the amount of services provided to patients at established rates by the Primary Health System to net patient service revenue as presented in the combined statements of revenue, expenses and changes in net position for the years ended June 30, 2014 and 2013 is as follows:

	Primary Health System	
	2014	*2013*
Inpatient service charges	$ 1,053,446,232	$ 986,725,639
Outpatient service charges	810,507,858	706,628,068
Gross patient service charges	1,863,954,090	1,693,353,707
Less: Contractual adjustments and other discounts	1,099,744,626	991,945,605
Charity care	109,777,939	101,729,252
Estimated provision for bad debts	83,167,328	73,539,550
	1,292,689,893	1,167,214,407
Net patient service revenue	$ 571,264,197	$ 526,139,300

Charity Care and Community Benefit: The Private Act of the State of Tennessee establishing the Primary Health System obligates the Primary Health System to make its facilities and patient care programs available to the indigent residents of Hamilton County to the extent of funds appropriated by Hamilton County and adjusted operating profits, as defined. The annual appropriation from Hamilton County totaled $1,500,000 for fiscal year 2014 and 2013. Total charity care charges for services provided to the certified indigent residents of Hamilton County (net of the appropriation) were approximately $19,336,000 and $23,757,000 for the years ended June 30, 2014 and 2013 for the Primary Health System.

In addition to charity care provided to specific patients within the hospital setting, the Primary Health System also provides unreimbursed services to the community which includes free and low cost health screenings. The Primary Health System also hosts health fairs and helps sponsor many other events that are free to the public and are spread throughout the year in various community locations.

The Primary Health System's Community Relations department, which conducts health, wellness, safety education classes and health screenings, includes Erlanger HealthLink Plus, a free adult membership program with over 15,000 members in the Chattanooga Statistical Metropolitan Service Area. The program provides over 16 classes and/or screenings and fitness opportunities per month that are free or at a low cost to members and to the community. These classes and screenings are held in two primary locations with additional classes at satellite locations in the region. As part of Community Relations, Safe & Sound, an injury prevention

service of Children's Hospital, offers free educational events regarding childhood injury prevention, including free car seat inspection and installation workshops. The Community Relations program utilizes the services of physicians, nurses, volunteers, educators, registered dietitians, social workers, secretaries and management personnel of the Primary Health System. The Primary Health System's consumer call center, Erlanger HealthLink (423-778-LINK) is a free call center staffed by RN's to answer health questions, offer free physician referrals and to register participants in the programs offered by Community Relations, Women's & Infant Services and other departments and divisions of the Primary Health System.

Uncompensated Care Costs: The following table summarizes the estimated total uncompensated care costs provided by Erlanger Medical Center as defined by the State of Tennessee for the years ended June 30, 2014 and 2013:

	2014	*2013*
Uncompensated cost of TennCare/Medicaid	$ 27,610,055	$ 28,228,719
Traditional charity uncompensated costs	33,421,647	33,423,115
Bad debt cost	25,128,811	23,429,117
Total estimated uncompensated care costs	$ 86,160,513	$ 85,080,951

The uncompensated cost of TennCare/Medicaid is estimated by taking the estimated cost of providing care to the TennCare/Medicaid patients less payments from the TennCare and Medicaid programs. The payments exclude revenues from essential access and other, one-time supplemental payments from TennCare of approximately $12,756,000 and $10,615,000 for the years ended June 30, 2014 and 2013, respectively, as such payments are not guaranteed for future periods.

Revenue from Significant Payers: Gross patient service charges related to the Medicare program accounted for approximately 32.7% and 29.6% of the Primary Health System's patient service charges for the years ended June 30, 2014 and 2013, respectively. Gross patient service charges related to the TennCare/Medicaid programs accounted for approximately 21.6% and 24.1% of the Primary Health System's patient service charges for the years ending June 30, 2014 and 2013, respectively. TennCare typically reimburses providers at an amount less than their cost of providing services to TennCare patients. At June 30, 2014 and 2013, the Primary Health System has a credit concentration related to the Medicare and TennCare programs.

During 2014 and 2013, the Primary Health System recognized revenue from these programs related to disproportionate share payments and trauma fund payments of approximately $926,000 and $9,622,000, respectively. Such amounts are subject to audit and future distributions under these programs are not guaranteed. Additionally, in 2014 the Primary Health System received a

net payment of $19,587,000 from the Public Hospital Supplemental Payment Pool. Such amounts are expected to be received as long as the current TennCare waiver is intact.

Laws and regulations governing the Medicare and TennCare/Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates, as they relate to revenue recognized from these programs, will change by a material amount in the near term. The estimated reimbursement amounts are adjusted in subsequent periods as cost reports are prepared and filed and as final settlements are determined. Final determination of amounts earned under prospective payment and cost reimbursement activities is subject to review by appropriate governmental authorities or their agents. Management believes that adequate provisions have been made for adjustments that may result from final determination of amounts earned under Medicare and Medicaid programs. The effect of prior year cost report settlements, or changes in estimates, increased net patient service revenue by approximately $2,310,000 in 2014 and by approximately $2,163,000 in 2013.

The Primary Health System has also entered into reimbursement agreements with certain commercial insurance companies, health maintenance organizations and preferred provider organizations. The basis for reimbursement under these agreements includes prospectively determined rates, per diems and discounts from established charges.

NOTE C--CASH AND CASH EQUIVALENTS

Cash and cash equivalents reported on the combined statements of net position include cash on hand and deposits with financial institutions including demand deposits and certificates of deposit.

The carrying amount of cash and cash equivalents consists of the following at June 30:

	Primary Health System	
	2014	*2013*
Demand deposits	$ 42,001,383	$ 15,087,535
Cash on hand	9,979	9,904
Cash equivalents	2,190,702	2,153,466
	$ 44,202,064	$ 17,250,905

Cash equivalents include money market accounts that are held in investment accounts and meet the definition of a cash equivalent.

Bank balances consist of the following at June 30:

	Primary Health System	
	2014	*2013*
Insured (FDIC)	$ 583,952	$ 622,493
Collateralized under the State of Tennessee Bank Collateral Pool	42,479,795	21,221,755
Other	-	272,275
	$ 43,063,747	$ 22,116,523

The Primary Health System's deposits would be exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized or are collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor government's name. The risk is that, in the event of the failure of a depository financial institution, the Primary Health System will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

NOTE D--DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES

Patient Accounts Receivable, Net: Patient accounts receivable and related allowances are as follows at June 30:

	Primary Health System	
	2014	*2013*
Gross patient accounts receivable	$ 302,865,848	$ 270,824,481
Estimated allowances for contractual adjustments and uncollectible accounts	(223,436,887)	(197,262,812)
Net patient accounts receivable	$ 79,428,961	$ 73,561,669

Other Current Assets: Other current assets consist of the following at June 30:

	Primary Health System	
	2014	*2013*
Prepaid expenses	$ 5,662,522	$ 5,205,938
Other receivables	8,429,197	14,923,382
Total other current assets	$ 14,091,719	$ 20,129,320

Accounts Payable and Accrued Expenses: Accounts payable and accrued expenses consist of the following at June 30:

	Primary Health System	
	2014	*2013*
Due to vendors	$ 39,008,464	$ 44,847,075
Other	2,939,796	2,098,648
Total accounts payable and accrued expenses	$ 41,948,260	$ 46,945,723

Other Long-Term Liabilities: Other long-term liabilities, and the related activity, consist of the following at June 30:

	Balance at Beginning of Year	*Unearned Revenue*	*Unearned Revenue Recognized*	*Change in Estimate*	*Other*	*Balance at End of Year*
2014						
Compensated absences	$ 10,638,408	$ -	$ -	$ -	$ -	$ 10,638,408
Medical malpractice	4,985,000	-	-	81,000	-	5,066,000
Job injury program	1,253,139	-	-	-	-	1,253,139
Interest rate swaps	4,856,429	-	-	-	(873,783)	3,982,646
Other	3,367,250	-	(393,607)	-	-	2,973,643
Total other long-term liabilities	$ 25,100,226	$ -	$ (393,607)	$ 81,000	$ (873,783)	$ 23,913,836
2013						
Compensated absences	$ 10,638,408	$ -	$ -	$ -	$ -	$ 10,638,408
Medical malpractice	5,462,500	-	-	(477,500)	-	4,985,000
Job injury program	916,104	-	-	337,035	-	1,253,139
Interest rate swaps	7,112,464	-	-	-	(2,256,035)	4,856,429
Other	623,000	2,900,000	(155,750)	-	-	3,367,250
Total other long-term liabilities	$ 24,752,476	$ 2,900,000	$ (155,750)	$ (140,465)	$ (2,256,035)	$ 25,100,226

NOTE E--NET PROPERTY, PLANT AND EQUIPMENT

Net property, plant and equipment activity for the Primary Health System for the years ended June 30, 2014 and 2013 consisted of the following:

	Balance at June 30, 2012	*Additions*	*Reductions/ Transfers*	*Balance at June 30, 2013*	*Additions*	*Reductions/ Transfers*	*Balance at June 30, 2014*
Capital assets:							
Land and improvements	$ 25,355,906	$ 298,962	$ -	$ 25,654,868	$ 312,049	$ -	$ 25,966,917
Buildings	223,875,935	6,845,858	-	230,721,793	2,900,701	-	233,622,494
Equipment	350,516,661	20,581,177	(4,240,082)	366,857,756	14,813,614	(4,980,876)	376,690,494
	599,748,502	27,725,997	(4,240,082)	623,234,417	18,026,364	(4,980,876)	636,279,905

	Balance at June 30, 2012	*Additions*	*Reductions/ Transfers*	*Balance at June 30, 2013*	*Additions*	*Reductions/ Transfers*	*Balance at June 30, 2014*
Accumulated depreciation :							
Land and improvements	(11,225,230)	(398,356)	-	(11,623,586)	(449,132)	-	(12,072,718)
Buildings	(161,792,780)	(7,808,629)	319,543	(169,281,866)	(6,812,804)	-	(176,094,670)
Equipment	(275,787,226)	(18,649,088)	3,692,069	(290,744,245)	(18,920,746)	4,805,755	(304,859,236)
	(448,805,236)	(26,856,073)	4,011,612	(471,649,697)	(26,182,682)	4,805,755	(493,026,624)
Capital assets net of accumulated depreciation	150,943,266	869,924	(228,470)	151,584,720	(8,156,318)	(175,121)	143,253,281
Construction in progress	6,774,897	24,935,626	(22,321,668)	9,388,855	10,852,113	(14,949,045)	5,291,923
	$ 157,718,163	$ 25,805,550	$ (22,550,138)	$ 160,973,575	$ 2,695,795	$ (15,124,166)	$ 148,545,204

Depreciation expense totaled $26,182,683 and $26,856,073 for the years ended June 30, 2014 and 2013, respectively. Construction in progress at June 30, 2014 consists of various projects for additions and renovations to the Primary Health System's facilities. The estimated cost to complete construction projects is approximately $10,320,000.

During 2012, the Primary Health System entered into an agreement to sell certain professional office buildings (POBs) and concurrently entered into agreements to lease space from the purchaser. The sales price of the POBs was approximately $13,333,000, and a gain of approximately $6,695,000 was realized. Since the Primary Health System is leasing back certain space, a portion of the gain has been deferred and is being recognized over the terms of the leases. Amortization of the deferred gain is included in non-operating revenue (expenses) for the years ended June 30, 2014 and 2013.

The leases entered into (or committed to) under this sale/leaseback agreement include certain leases which meet the criteria for capitalization and are included in Note M.

NOTE F--INVESTMENTS AND ASSETS LIMITED AS TO USE

The Primary Health System invests in United States government and agency bonds, municipal bonds, corporate debt, certificates of deposit and short-term money market investments that are in accordance with the Primary Health System's investment policy. Temporary investments at June 30, 2014 consist primarily of cash equivalents, government bonds and commercial paper.

The carrying and estimated fair values for long-term investments, and assets limited as to use, by type, at June 30 are as follows:

	Primary Health System 2014	2013
U.S. Government and agency bonds, including municipal bonds, mutual funds, and other	$ 108,694,164	$ 111,569,814
Corporate bonds and commercial paper	7,004,219	4,348,798
Short-term investments and cash equivalents	16,556,196	16,131,637
Total investments and assets limited as to use	$ 132,254,579	$ 132,050,249

Assets limited as to use are classified as follows:

	Primary Health System 2014	2013
Capital investment funds	$ 101,463,961	$ 99,572,404
Under bond indentures - held by trustees	20,879,910	20,901,235
Self-insurance trust	6,098,629	6,318,010
Restricted by donors and other	3,485,940	3,467,654
	131,928,440	130,259,303
Less current portion	(7)	(28,275)
Total assets whose use is limited	$ 131,928,433	$ 130,231,028

Assets limited as to use for capital improvements are to be used for the replacement of property and equipment or for any other purposes so designated.

Funds held by trustees under bond indenture at June 30 are as follows:

	Primary Health System 2014	2013
Debt service reserve funds	$ 20,725,843	$ 20,718,915
Principal and interest funds	7	28,275
Other funds	154,060	154,045
Total funds held by trustees under bond indenture	$ 20,879,910	$ 20,901,235

These funds held by trustees consist primarily of United States government agency obligations, state and local government obligations, corporate debt, and other short-term investments and cash equivalents. The debt service reserve fund is to be used only to make up any deficiencies in other funds related to the Hospital Revenue and Refunding Bonds Series 1997A, Series 1998A, Series 2000 and Series 2004. The principal and interest funds are to be used only to pay

principal and interest, respectively, on the Series 1997A, Series 1998A, Series 2000 and Series 2004 bonds.

The Primary Health System's investment policy specifies the types of investments which can be included in board-designated assets limited as to use, as well as collateral or other security requirements. The investment policy also specifies the maximum maturity of the portfolio of board-designated assets. Assets limited as to use and held by trustees are invested as permitted by the bond indenture.

Custodial Credit Risk: The Primary Health System's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Primary Health System, and are held by either the counterparty or the counterparty's trust department or agent but not in the Primary Health System's name. The risk is that, in the event of the failure of the counterparty to a transaction, the Primary Health System will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

As of June 30, 2014 and 2013, the Primary Health System's investments, including assets limited as to use, were comprised of various short-term investments, U.S. government and government agency bonds, municipal obligations, corporate bonds, commercial paper, and other U.S. Treasury obligations. Substantially all of the Primary Health System's investments, including assets limited as to use, are uninsured or unregistered. Securities are held by the counterparty, or by its trust department or agent, in the Primary Health System's name.

Concentration of Credit Risk: This is the risk associated with the amount of investments the Primary Health System has with any one issuer that exceeds 5% or more of its total investments. Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The Primary Health System's investment policy does not restrict the amount that may be held for any single issuer. At June 30, 2014, none of the Primary Health System's investments with any one issuer exceed 5% of its total investments except certain U.S. Government agencies.

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. GASB No. 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government. The Primary Health System's investment policy provides guidelines for its fund managers and lists specific allowable investments.

The credit risk profile of the Primary Health System's investments, including assets limited as to use (excluding U.S. Government securities), as of June 30, 2014, is as follows:

CHATTANOOGA-HAMILTON COUNTY HOSPITAL AUTHORITY
(d/b/a Erlanger Health System)

Notes to Combined Financial Statements - Continued

Years Ended June 30, 2014 and 2013

Investment Type	Balance as of June 30, 2014	Rating				
		AAA	AA	A	BBB	N/A
U.S Government agency bonds	$ 46,375,721	$ 44,799,453	$ 1,576,268	$ -	$ -	$ -
Municipal bonds	7,226,430	2,259,170	3,958,340	1,008,920	-	-
Bond mutual funds and other	5,575,435	5,575,435	-	-	-	-
Corporate bonds and commercial paper	1,428,784	-	-	1,428,784	-	-
Cash equivalents	16,556,196	-	-	-	-	16,556,196
Total investments	$ 77,162,566	$ 52,634,058	$ 5,534,608	$ 2,437,704	$ -	$ 16,556,196

Investment Rate Risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Primary Health System's investment policy authorizes a strategic asset allocation that is designed to provide an optimal return over the Primary Health System's investment horizon and within specified risk tolerance and cash requirements.

The distribution of the Primary Health System's investments, including assets limited as to use, and excluding the self-insurance trust, by maturity as of June 30, 2014, is as follows:

Investment Type	Balance as of June 30, 2014	Remaining Maturity				
		12 months or less	13-24 Months	25-60 Months	Over 60 Months	N/A
U.S. Government bonds and agency funds	$ 101,467,734	$ 15,624,278	$ 34,072,420	$ 14,086,664	$ 37,684,372	$ -
Municipal bonds	7,226,430	3,032,240	3,192,400	1,001,790	-	-
Corporate bonds and commercial paper	1,428,784	1,428,784	-	-	-	-
Cash equivalents	16,033,002	16,033,002	-	-	-	-
Total investments	$ 126,155,950	$ 36,118,304	$ 37,264,820	$ 15,088,454	$ 37,684,372	$ -

Additionally, the distribution of the Primary Health System's investments held under the self-insurance trust as of June 30, 2014, is as follows:

Investment Type	Balance as of June 30, 2014	Remaining Maturity				
		24 months or less	25-60 Months	61-120 Months	Over 120 Months	N/A
Bond Mutual Funds	$ 5,575,435	$ -	$ -	$ -	$ -	$ 5,575,435
Cash equivalents	523,194	523,194	-	-	-	-
Total investments	$ 6,098,629	$ 523,194	$ -	$ -	$ -	$ 5,575,435

NOTE G--LONG-TERM DEBT

Long-term debt at June 30 consists of the following:

	Primary Health System	
	2014	*2013*
Revenue and Refunding Bonds, Series 2004, net of bond discount of $443,199 in 2014 and $532,793 in 2013 and including bond issue premium of $1,302,656 in 2014 and $1,443,483 in 2013	$ 66,859,457	$ 71,955,690
Hospital Revenue Refunding Bonds, Series 2000, including bond issue premium of $258,296 in 2014 and $281,255 in 2013	32,558,296	34,581,255
Hospital Revenue Bonds, Series 1998A, net of bond discount of $265,846 in 2014 and $280,615 in 2013	18,159,154	18,329,385
Hospital Revenue Bonds, Taxable Series 1997A	41,000,000	41,000,000
Total bonds payable	158,576,907	165,866,330
Other Loans and Notes Payable	4,978,158	5,630,515
Capital leases - Note M	6,575,290	6,741,204
	170,130,355	178,238,049
Less: current portion	(10,809,288)	(8,058,625)
	$ 159,321,067	$ 170,179,424

During fiscal year 2011, the Primary Health System entered into a term loan (the Loan) with a financial institution in the maximum amount of $7,000,000 to finance the acquisition of the Lifestyle Center property. The rate of interest on the loan is a fixed rate equal to 5.45%. Monthly payments of principal and interest are payable on the first day of each month for a 10 year term beginning December 1, 2010, with a final payment equal to the unpaid principal plus accrued and unpaid interest due at maturity. The loan contains certain covenants and restrictions. Management believes the Primary Health System was in compliance with all such covenants at June 30, 2014.

During fiscal year 2010, the Primary Health System remarketed the Series 2004 Hospital Revenue Refunding Bonds (Series 2004) and the Series 2000 Hospital Revenue Refunding Bonds (Series 2000), as described below, and converted such bonds from a variable auction rate to a fixed rate.

On January 1, 2004, the Primary Health System issued $85,000,000 insured Series 2004 bonds for the purpose of refunding $80,925,000 of the total outstanding Series 1993 bonds (described

below). The Primary Health System also utilized the proceeds to pay certain issuance costs and contributed a portion of the bond proceeds in the amount of $1,633,658 to establish a debt service fund.

The Series 2004 bonds were issued on parity, with respect to collateral, with other outstanding bonds, described below. The Series 2004 bonds are also secured by a mortgage on a portion of the Primary Health System's main campus. The Series 2004 bonds mature annually on October 1 beginning in 2010 through 2023 in varying amounts. The Series 2004 bonds maturing after October 1, 2019 (excluding those maturing on October 1, 2023) may be redeemed by the Primary Health System after October 1, 2019 at a redemption price equal to the principal amount plus accrued interest. The bonds maturing on October 1, 2023 may be redeemed prior to maturity pursuant to the extraordinary optional redemption and redemption upon damage or condemnation provisions as described in the Remarketing Memorandum by the Primary Health System after October 1, 2014 at a redemption price equal to 100% of the principal amount plus accrued interest. Interest rates for the outstanding Series 2004 bonds range from 3.0% to 5.0%.

In August 2000, the Primary Health System issued $47,300,000 insured Series 2000 bonds for the purpose of refunding $40,000,000 of then outstanding Series 1987 bonds and funding a debt service reserve fund in an original amount of $4,407,377 and to pay issuance costs. The Series 2000 bonds were issued on parity with other outstanding bond issues. The Series 2000 bonds consist of term bonds maturing on October 1, 2023 and serial bonds maturing on October 1 annually beginning in 2010 through 2025. The bonds maturing on October 1, 2023 are subject to mandatory sinking fund redemption prior to maturity and without premium at the principal amount thereof on October 1. The Series 2000 bonds maturing after October 1, 2014 may be redeemed by the Primary Health System after October 1, 2014 at a redemption price equal to the principal amount plus accrued interest.

Interest rates for the Series 2000 outstanding bonds are as follows:

Series Bonds	- 3.75% to 5.0%
Term Bonds	- 5.0%

The Primary Health System's 1997A and 1998A Hospital Revenue Bonds (Series 1997A and Series 1998A, respectively) were issued to fund capital improvements for Erlanger Medical Center and establish a debt service reserve fund (1998A only) in an original amount of $2,174,125.

The Series 1997A bonds are taxable and are secured on a parity under a Master Trust Indenture with other outstanding bond issues. The 1997A bonds mature beginning in fiscal year 2015 through fiscal year 2028. The 1997A bonds are subject to optional redemption at 100% plus

accrued interest and interest is payable at a variable auction rate for a 35-day period, which was 0.42% at June 30, 2014 and 0.49% at June 30, 2013.

The Series 1998A insured bonds are tax-exempt and consisted of $6,080,000 serial bonds maturing annually on October 1 of each year through 2013 in varying amounts; and term bonds maturing on October 1, 2018 and 2028 ($5,825,000 and $17,095,000, respectively). Such bonds are secured on parity with other outstanding bonds. The bonds maturing after October 1, 2008 may be redeemed by the Primary Health System after April 1, 2008 at amounts ranging from 100% to 101% of par value plus accrued interest.

Interest rates for the outstanding Series 1998A bonds are as follows:

$ 6,080,000 Serial Bonds	- 4.75% to 5.00%
$ 5,825,000 Term Bonds	- 5.0%
$17,095,000 Term Bonds	- 5.0%

During fiscal year 2002, the Primary Health System defeased $5,320,000 of the 1998A bond issuance because IRS regulations do not permit tax-exempt debenture proceeds to be used to fund for-profit endeavors. These funds were used in the construction of an Ambulatory Surgery Center. The Primary Health System contributed to an escrow account funds generated from its operations sufficient to fund all principal and interest payments for approximately $5,320,000 of debentures until maturity. The Primary Health System was released from being the primary obligor and cannot be held liable for the defeased obligation, of which approximately $4,140,000 remains outstanding at June 30, 2014.

The trust indentures and related documents underlying the bonds contain certain covenants and restrictions. As of June 30, 2014, management believes the Primary Health System is in compliance with all such covenants.

The Primary Health System's scheduled principal and interest payments (estimated for variable rate debt based on rates at June 30, 2014) on bonds payable and other long-term debt (excluding capital leases) are as follows for the years ending June 30:

	Principal	*Interest*	*Total*
2015	$ 10,613,005	$ 5,868,787	$ 16,481,792
2016	11,637,069	5,391,616	17,028,685
2017	11,723,446	4,945,072	16,668,518
2018	12,674,484	4,515,962	17,190,446
2019	13,242,765	4,001,214	17,243,979
2020-2024	71,002,389	12,068,476	83,070,865
2025-2029	31,810,000	1,748,790	33,558,790
TOTAL	$ 162,703,158	$ 38,539,917	$ 201,243,075

Long-term debt activity for the Primary Health System for the years ended June 30, 2014 and 2013 consisted of the following:

	Balance at June 30, 2012	*Additions/ Amortizations*	*Reductions/ Accretions*	*Balance at June 30, 2013*	*Additions/ Amortizations*	*Reductions/ Accretions*	*Balance at June 30, 2014*
Bonds Payable							
Series 2004	$ 76,754,321	$ 152,197	$ 4,950,828	$ 71,955,690	$ 89,594	$ 5,185,827	$ 66,859,457
Series 2000	36,404,215	-	1,822,960	34,581,255	-	2,022,959	32,558,296
Series 1998A	18,859,616	14,769	545,000	18,329,385	14,769	185,000	18,159,154
Series 1997A	41,000,000	-	-	41,000,000	-	-	41,000,000
Total bonds payable	173,018,152	166,966	7,318,788	165,866,330	104,363	7,393,786	158,576,907
Term Loan	6,282,894	-	652,379	5,630,515	-	652,357	4,978,158
Capital leases	6,834,667	-	93,463	6,741,204	-	165,914	6,575,290
Total long-term debt	$ 186,135,713	$ 166,966	$ 8,064,630	$ 178,238,049	$ 104,363	$ 8,212,057	$ 170,130,355

NOTE H--PENSION PLAN

The Primary Health System sponsors a single-employer, non-contributory defined benefit pension plan covering substantially all employees meeting certain age and service requirements. In addition to normal retirement benefits, the plan also provides for early retirement, delayed retirement, disability and death benefits. The Primary Health System funds the plan as contributions are approved by the Board of Trustees. The Primary Health System has the right to amend, in whole or in part, any or all of the provisions of the plan. Effective July 1, 2009, the plan was amended to be closed to new employees or rehires, and to further clarify the maximum years of service to be 30. During June 2014, the plan was amended to freeze the accrual of additional benefits going forward. The actuarial computations below do not include the impact of this amendment.

The plan issues a publicly available financial report that includes a financial statement and required supplementary information for the plan. That report may be obtained by writing to

Erlanger Health System, Attention: Human Resources Department, 975 East Third Street, Chattanooga, Tennessee 37403 or by calling 423-778-7000.

The annual pension cost and net pension obligation for the years ended June 30, 2014 and 2013 are as follows:

	Primary Health System	
	2014	*2013*
Annual required contribution	$ 12,832,292	$ 11,165,100
Interest on net pension obligation	782,963	791,073
Adjustment to annual required contribution	(1,024,034)	(899,189)
Annual pension cost	12,591,221	11,056,984
Contributions made	-	(11,165,100)
Change in net pension obligation	12,591,221	(108,116)
Net pension obligation at beginning of year	10,439,507	10,547,623
Net pension obligation at end of year	$ 23,030,728	$ 10,439,507

The annual expected contribution for the years ended June 30, 2014 and 2013, was determined as part of the January 1, 2014 and 2013 actuarial valuations, respectively, using the projected unit credit cost method. The following actuarial assumptions were utilized:

	2014	*2013*
Investment rate of return	7.5%	7.5%
Projected salary increases	4.0%	4.0%
Inflation	2.5%	2.5%
Increase in Social Security taxable wage base	3.5%	3.5%

Annual pension costs, contribution information and the net pension obligation for the last three fiscal years follows:

	Three-Year Trend Information		
Fiscal Year Ending	*Annual Pension Cost (APC)*	*Percentage of APC Contributed*	*Net Pension Obligation*
June 30, 2012	$ 10,264,968	101%	$ 10,547,623
June 30, 2013	11,056,984	101%	10,439,507
June 30, 2014	12,591,221	0%	23,030,728

The schedule of funding progress shown below presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The actuarial asset values are determined using prior year valuations with the addition of current year contributions and expected investment return on market value of assets based on an assumed rate of 7.5%, and deducting benefit payments and administrative expenses for the year. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments using an average of cost and market value. The plan will reset the amortization base each year equal to the unfunded actuarial accrued liability to be amortized over a closed 20 year period and using a level dollar amount as the amortization factor.

Schedule of Funding Progress

Actuarial Valuation Date	*Actuarial Value of Assets*	*Actuarial Accrued Liability (AAL)*	*Total Unfunded AAL (UAAL)*	*Funded Ratio %*	*Annual Covered Payroll*	*UAAL as a Percentage of Covered Payroll*
1/1/11	$125,335,932	$ 150,926,741	$25,590,809	83.0%	$ 147,947,134	17.3%
1/1/12	124,520,999	160,704,688	36,183,689	77.5%	138,807,819	26.1%
1/1/13	121,700,323	170,980,311	49,279,988	71.2%	121,093,695	40.7%

NOTE I--OTHER RETIREMENT PLANS

The Primary Health System maintains defined contribution plans under Section 403(b) and 401(a) of the IRC which provides for voluntary contributions by employees. The Plans are for the benefit of all employees 25 years of age or older with at least 12 months of employment.

The Primary Health System matches 50% of each participant's contribution up to 2% of the participant's earnings. Additionally, for eligible employees hired on after July 1, 2009 the Primary Health System will make profit sharing contributions equal to 3% of their earnings, regardless if the employee is making contributions. Employer contributions to the plan were approximately $1,770,000 and $1,830,000 for the years ended June 30, 2014 and 2013, respectively.

NOTE J--POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

The Primary Health System sponsors three post-employment benefit plans other than pensions (OPEB) for full-time employees who have reached retirement age, as defined. The respective plans provide medical, dental, prescription drug and life insurance benefits, along with a limited lump-sum cash payment for a percent of the hours in the participant's short-term disability at retirement. The postretirement health, dental and prescription drug plan is contributory and

contains other cost-sharing features, such as deductibles and coinsurance. The life insurance plan and the short-term disability are noncontributory.

During 2014, the postretirement health, dental and prescription drug plan was amended to increase the amount of required participant contributions. Additionally, eligibility for the short-term disability was limited to employees that had attained age 55 and completed 10 years of service as of January 1, 2014 or attained age 65 with at least 5 years of service as of this date. The lump-sum payout for the short-term disability was also reduced from 50% to 20% of the amount accumulated.

Beginning in 2018, under the Patient Protection and Affordable Care Act (the Act), a 40% excise tax will be imposed on the excess benefit provided to an employee or retiree in any month under any employer-sponsored health plan. In the case of a self-insured plan, the plan administrator must pay the tax. Because of the significant uncertainties regarding the excise tax on high cost plans, management of the Primary Health System is evaluating the impact of this Act but does not anticipate a material impact on the accrued liability at this time; however, actual results could differ from these estimates.

The following table shows the plans, funded status as of June 30:

	2014	*2013*
Actuarial accrued liability	$ 16,773,895	$ 30,500,450
Market value of assets	-	-
Unfunded actuarial accrued liability	$ 16,773,895	$ 30,500,450

The following is a summary of the components of the annual OPEB cost recognized by the Primary Health System for the years ended June 30:

	2014	*2013*
Annual required contribution	$ 2,032,983	$ 2,945,355
Interest on the net obligation	153,565	228,288
Adjustment for plan amendment	(3,127,421)	-
Amortization of net obligation	(152,570)	(226,809)
OPEB cost (benefit) recognized	$ (1,093,443)	$ 2,946,834

A reconciliation of the net OPEB obligation for the fiscal years ended June 30 is as follows:

	2014	2013
Net OPEB obligation beginning of the year	$ 6,966,545	$ 5,707,193
OPEB cost (benefit) recognized	(1,093,443)	2,946,834
Actual contributions	(2,223,494)	(1,687,482)
Net OPEB obligation end of the year	$ 3,649,608	$ 6,966,545

Trend Information

Fiscal Year Ending	Annual OPEB Cost (Benefit)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at the End of Year
July 1, 2012	$ 2,666,393	39.6%	$ 5,707,193
July 1, 2013	2,946,834	57.3%	6,966,545
July 1, 2014	(1,093,443)	N/A	3,649,608

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percent of Covered Payroll	Funded Ratio
July 1, 2012	$ -	$ 28,788,147	$ 28,788,147	$138,807,819	20.7%	0%
July 1, 2013	-	30,500,450	30,500,450	155,727,806	19.6%	0%
July 1, 2014	-	16,773,895	16,773,895	167,104,474	10.0%	0%

The actuarial calculations reflect a long-term perspective. Accordingly, the actuarial valuation involves estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability. The calculations are based on the benefits currently provided under the terms of the plan as of the date of each valuation and on the sharing of cost between employer and plan members at that point.

The actuarial cost method utilized is the unit credit actuarial cost method. The 2014 and 2013 postretirement benefit cost assumed an average weighted annual rate increase in per capita cost of covered health benefits of 7.4%, decreasing gradually to an ultimate rate of 4.8%.

The amortization method used is the level percent of payroll method over a thirty-year amortization. Other assumptions include a 4% discount rate and assumed salary increases of 4.0% annually until age 65.

The Primary Health System also has a job injury program to provide benefits to workers injured in employment-related accidents. This program provides medical and indemnity benefits to employees injured in the course of employment for a period up to 24 months from the date of injury. The Primary Health System has recorded a projected liability that is included in other long-term liabilities in the combined statements of net position. The projected liability was discounted using a 4% rate of return at June 30, 2014 and 2013.

NOTE K--MEDICAL MALPRACTICE AND GENERAL LIABILITY CLAIMS

As of January 1, 1976, the Primary Health System adopted a self-insurance plan to provide for malpractice and general liability claims and expenses arising from services rendered subsequent to that date. In 1980, the Primary Health System's Self-Insurance Trust Agreement (the Agreement) was amended to include all coverages that a general public liability insurance policy would cover. In 1988, the Agreement was amended and restated to comply with amendments to the Tennessee Governmental Tort Liability Act and to formally include any claims and expenses related to acts of employees of the Primary Health System. The Primary Health System is funding actuarial estimated liabilities through a revocable trust fund with a bank. The trust assets are included as a part of assets limited as to use in the accompanying combined statements of net position. Such amounts in the trust can be withdrawn by the Primary Health System only to the extent there is an actuarially determined excess. The annual deposit to the self-insurance trust fund is determined by management based on known and threatened claims, consultation with legal counsel, and a report of an independent actuary. Losses against the Primary Health System are generally limited by the Tennessee Governmental Tort Liability Act to $300,000 for injury or death to any one person in any one occurrence or $700,000 in the aggregate. However, claims against healthcare practitioners are not subject to the foregoing limits applicable to the Primary Health System. Any such individuals employed by the Primary Health System, excluding employed physicians for which the Primary Health System has purchased insurance coverage, are covered by the Trust to the limits set forth therein.

In the opinion of management, the revocable trust fund assets are adequate at June 30, 2014, to cover potential liability and malpractice claims and expenses that may have been incurred to that date.

The Primary Health System provides for claims and expenses in the period in which the incidence related to such claims occur based on historical experience and consultation with legal counsel. It is the opinion of management that the reserve for estimated losses and loss adjustment expense (LAE) at June 30, 2014 is adequate to cover potential liability and

malpractice claims which may have been incurred but not reported (IBNR) to the Primary Health System. Such reserve for IBNR claims reflects a discount rate of 5.5% based on the Primary Health System's expected investment return during the payout period.

NOTE L--COMMITMENTS AND CONTINGENCIES

Litigation: The Primary Health System is subject to claims and suits which arise in the ordinary course of business. In the opinion of management, the ultimate resolution of such pending legal proceedings has been adequately provided for in its combined financial statements, and will not have a material effect on the Primary Health System's results of operations or financial position.

The prior Chief Executive Officer (CEO) resigned from Erlanger on December 31, 2011, after an interim CEO (the Executive Vice President) was established December 1, 2011. The interim CEO was replaced by the current CEO, hired on April 1, 2013. The Executive Vice President's employment at Erlanger ended when her leave expired in June, 2013. She has filed a wrongful termination lawsuit against Erlanger for $25 million, which Erlanger, in conjunction with its Directors and Officers insurance carrier, is currently defending. The ultimate outcome of this lawsuit is uncertain.

Regulatory Compliance: The healthcare industry is subject to numerous law and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, Medicare fraud and abuse, and most recently under the Provision of Health Insurance Portability and Accountability Act of 1996, matters related to patient records, privacy and security. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers, such as the Medicare Recovery Audit Contractor Program. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or un-asserted at this time.

In the normal course of business, the Primary Health System continuously monitors and investigates potential issues through its compliance program. Currently several investigations related to potential non-compliance are underway and the Primary Health System recognizes a liability when it is determined to exist and the amount can be reasonably estimated. Management currently believes that the Primary Health System is in compliance with applicable laws and regulations or has reported any amounts payable related known violations, including amounts identified through the Medicare Recovery Audit Contractor program, or similar initiatives, and any settlements will not have a significant impact on the combined financial

statements. However, due to the uncertainties involved and the status of ongoing investigations, management's estimate could change in the near future and the amount of the change could be significant.

Health Care Reform: In March 2010, Congress adopted comprehensive healthcare insurance legislation, Patient Care Protection and Affordable Care Act and Health Care and Education Reconciliation Act. The legislation, among other matters, is designated to expand access to coverage to substantively all citizens by 2019 through a combination of public program expansion and private industry health insurance. Changes to existing TennCare and Medicaid coverage and payments are also expected to occur as a result of this legislation. Implementing regulations are generally required for these legislative acts, which are to be adopted over a period of years and, accordingly, the specific impact of any future regulations is not determinable.

NOTE M--LEASES

Capital: As discussed in Note E, during 2012, the Primary Health System entered into a sale/leaseback arrangement, under which certain leases of office space meet the criteria as capital leases. Interest on these leases has been estimated at 7% per annum.

During 2011, the Primary Health System acquired a parcel of land from the Industrial Development Board of the City of Chattanooga, Tennessee for a nominal amount. The Primary Health System also entered into a project development agreement with a developer to facilitate final design, financing and construction of a medical office building for the benefit of Volkswagen Group of America Chattanooga Operations, LLC (Volkswagen) on this land. The Primary Health System has entered into a forty-year ground lease, with the option of two ten-year renewal terms, of the parcel to the developer. Additionally, in 2012, the Primary Health System has entered into a twenty year lease with the developer for certain space in the medical office building for a wellness center and other operations under a capital lease agreement.

The following is an analysis of the property under capital leases by major classes at June 30:

	Primary Health System	
	2014	*2013*
Buildings	$ 6,601,812	$ 6,601,812
Equipment	494,905	494,905
	7,096,717	7,096,717
Less: accumulated amortization	(1,177,444)	(593,019)
	$ 5,919,273	$ 6,503,698

The following is a schedule of future minimum lease payments under capital leases:

Year Ending June 30,	
2015	$ 773,890
2016	739,815
2017	729,999
2018	744,453
2019	759,311
2020-2024	3,779,120
2025-2029	4,055,430
2030-2034	1,848,126
Total minimum lease payments	13,430,144
Less: amount representing interest	(6,854,854)
Present value of minimum lease payments (including current portion of $196,283)	$ 6,575,290

Operating: The Primary Health System rents office space and office equipment under non-cancelable operating leases through 2033, containing various lease terms. The leases have other various provisions, including sharing of certain executory costs. Rent expense under operating leases was approximately $7,840,000 and $7,450,000 in 2014 and 2013, respectively. Future minimum lease commitments at June 30, 2014 for all non-cancelable leases with terms in excess of one year are as follows:

Year Ending June 30,	
2015	$ 6,200,885
2016	3,539,847
2017	3,434,456
2018	2,666,047
2019	2,436,867
Thereafter	19,823,183
	$ 38,101,285

Rental Revenues: The Primary Health System leases office space to physicians and others under various lease agreements with terms in excess of one year. Rental revenue recognized for the years ended June 30, 2014 and 2013 totaled approximately $3,688,000 and $4,261,000, respectively. The following is a schedule of future minimum lease payments to be received for the years ending June 30:

Year Ending June 30,	
2015	$ 1,915,427
2016	1,140,038
2017	748,170
2018	533,963
2019	413,203
Thereafter	1,302,421
	$ 6,053,222

NOTE N--DERIVATIVE FINANCIAL INSTRUMENTS

Simultaneous with the issuance of the $85,000,000 Series 2004 bonds discussed in Note G, the Primary Health System entered into interest rate swap agreements. In an effort to take advantage of the differences between taxable and tax-exempt debt, and manage exposure to interest rate risks associated with various debt instruments, the Primary Health System is currently a party to two distinct interest rate swap agreements with a third party.

With respect to the 1997A Series bonds, the Primary Health System executed a swap agreement whereby the Primary Health System receives a variable rate equal to the one-month LIBOR-BBA rate and pays a fixed rate equal to 5.087% on a notional amount of $41,000,000. Unless terminated at an earlier date (at the Primary Health System's option), this agreement terminates on October 1, 2027.

With respect to the 1998A Series bonds, the Primary Health System executed a swap agreement whereby the Primary Health System receives a fixed rate of 3.932% and pays a variable rate equal to the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index on a notional amount of $16,305,000. Unless terminated at an earlier date (at the Primary Health System's option), this agreement terminates on October 1, 2027.

Although these swap instruments are intended to manage exposure to interest rate risks associated with the various debt instruments referred to above, none of these swap agreements have been determined to be effective hedges. Accordingly, the interest rate swaps are reflected in the accompanying combined statements of net position at their aggregate fair value (a net liability of $3,982,646 and $4,856,429 at June 30, 2014 and 2013, respectively) and the changes in the value of the swaps are reflected as a component of non-operating revenues in the combined statements of revenue, expenses and changes in net position.

Management has considered the effects of any credit value adjustment and while management believes the estimated fair value of the interest rate swap agreements is reasonable, the estimate is subject to change in the near term.

NOTE O--MANAGEMENT AGREEMENT

On April 13, 2011, the Primary Health System's Board of Trustees approved a resolution authorizing a management agreement (the Agreement) between the Primary Health System, Hutcheson Medical Center, Inc. and affiliates (collectively, Hutcheson) and the Hospital Authority of Walker, Dade and Catoosa Counties in Georgia (the Hospital Authority).

Under the terms of the Agreement, the Primary Health System proposed general operating policies and directives for Hutcheson; was responsible for the day-to-day management of Hutcheson and provided oversight of ancillary aspects of Hutcheson, such as physician practices, education, research, and clinical services. The Agreement's initial term was to be through March 31, 2021 with the Primary Health System to have the option to extend the agreement for two additional five year terms. The Primary Health System was authorized to terminate the Agreement, without cause, upon written notice at any point subsequent to May 25, 2013. Upon such termination, Hutcheson was to be obligated to make a Termination Payment to the Primary Health System consisting of all expenses then owed by Hutcheson and any outstanding advances under a Line of Credit Agreement, discussed below. Hutcheson could also terminate the agreement without cause at any point subsequent to May 25, 2013 by paying the Termination Payment, as well as the lesser of a) $1,000,000 per year for each year the Agreement has been in place, or b) $1,000,000 less any management fees paid in each Agreement year.

In addition to the Agreement, the Primary Health System agreed to extend a Line of Credit (the Line) to the Hospital Authority. The maximum amount available under the initial Line was $20,000,000. During the year ending June 30, 2013, the Agreement was amended to increase the maximum amount to $20,550,000. At June 30, 2014, the draws on the Line totaled $20,550,000.

The Line called for interest only payments each month on the outstanding balance, based on the London InterBank Offered Rate plus 4% or a rate of 5%, whichever is greater. However, any unpaid interest through March 31, 2013 was deferred and to be paid over a twelve-month period commencing on that date. All outstanding draws were due at the maturity date, which is consistent with the Agreement termination dates, discussed above.

The Line is secured by a Security Agreement on the primary Hutcheson medical campus. Further, the Counties of Walker and Catoosa, Georgia (collectively, the Counties) have provided additional security in the form of guarantees under an Intergovernmental Agreement. Under the Intergovernmental Agreement, the Counties have each agreed to a maximum liability of $10,000,000 to secure the line. The form of such guarantee was to be at the option of the Counties and were to become enforceable upon a notice of default delivered by the Primary Health System. The form of the guarantee selected by the Counties can include a) a payment of 50% by each County of the amounts owing under the Line, b) payments as they become due up to the respective $10,000,000 limits or c) after non-Judicial foreclosure under the Security

Agreement, each County could elect to pay 50% of any deficiency between the amount outstanding under the Line and the then fair market value. Both Counties previously agreed to levy annual property taxes, if needed to honor these guarantees.

In June 2013, the Agreement was modified to allow Hutcheson to issue requests for proposals for the lease or sale of Hutcheson properties without creating a breach of the Agreement. As part of the Agreement, Hutcheson committed to obtain alternative financing and repay the line of credit upon the earlier of the replacement financing being obtained by Hutcheson, or June 1, 2014.

In August of 2013, however, Hutcheson terminated the Agreement. In response thereto, the Primary Health System declared Hutcheson to be in default under the Agreement and made formal demand of Hutcheson as to all amounts then due and payable. In February 2014, the Primary Health System filed suit against Hutcheson in order to collect the moneys, including principal, interest and penalties, then due. In response to such filing, Hutcheson has asserted multiple counter claims against the Primary Health System alleging mismanagement and other failures under the Agreement. Additionally, another senior creditor has filed a separate lawsuit against the Primary Health System alleging priority over the Primary Health System's security interest and, presumably, the County guarantees relating to Hutcheson. The litigation is currently pending in the United States District Court in the Northern District of Georgia, Rome Division

NOTE P--OTHER REVENUE

The American Recovery and Reinvestment Act of 2009 and the Health Information Technology for Economic and Clinical Health (HITECH) Act established incentive payments under the Medicare and Medicaid programs for certain healthcare providers that use certified Electronic Health Record (EHR) technology. To qualify for incentive payments, healthcare providers must meet designated EHR meaningful use criteria as defined by the Centers for Medicare & Medicaid Services (CMS). Incentive payments are awarded to healthcare providers who have attested to CMS that applicable meaningful use criteria have been met. Compliance with meaningful use criteria is subject to audit by the federal government or its designee and incentive payments are subject to adjustment in a future period.

The Primary Health System recognizes revenue for EHR incentive payments when substantially all contingencies have been met. During 2014 and 2013, the Primary Health System recognized approximately $4,220,000 and $2,670,000, respectively, of other revenue related to EHR incentive payments.

NOTE Q--CONDENSED FINANCIAL INFORMATION

The following is condensed, financial information related to the discretely presented component units as of and for the years ended June 30, 2014 and 2013:

	ContinuCare	*Cyberknife*
As of June 30, 2014		
Due from other governments	$ 192,950	$ 176,300
Other current assets	10,345,848	460,017
Total Current Assets	10,538,798	636,317
Net property, plant and equipment	4,885,489	4,120,144
Other assets	882,663	64,013
Total Assets	$ 16,306,950	$ 4,820,474
Due to other governments	$ 126,882	$ -
Other current liabilities	2,564,259	655,526
Total Current Liabilities	2,691,141	655,526
Long-term debt and capital lease obligations	51,653	3,092,057
Total Liabilities	2,742,794	3,747,583
Net position		
Unrestricted	8,759,244	556,940
Net investment in capital assets	4,804,912	515,951
Total Net Position	13,564,156	1,072,891
Total Liabilities and Net Position	$ 16,306,950	$ 4,820,474
Year Ended June 30, 2014		
Net patient and operating revenue	$ 26,429,529	$ 1,900,600
Operating expenses:		
Salaries, wages and benefits	13,407,246	231,342
Supplies and other expenses	12,497,767	702,098
Depreciation	549,539	560,208
Total Operating Expenses	26,454,552	1,493,648
Operating Income (Loss)	(25,023)	406,952
Nonoperating revenue (expenses)	389,611	(172,007)
Change in Net Position	364,588	234,945
Net Position at Beginning of Period	13,199,568	837,946
Net Position at End of Period	$ 13,564,156	$ 1,072,891

CHATTANOOGA-HAMILTON COUNTY HOSPITAL AUTHORITY
(d/b/a Erlanger Health System)

Notes to Combined Financial Statements - Continued

Years Ended June 30, 2014 and 2013

	ContinuCare	*Cyberknife*
As of June 30, 2013		
Due from other governments	$ 248,239	$ 129,000
Other current assets	8,865,703	490,008
Total Current Assets	9,113,942	619,008
Net property, plant and equipment	5,174,936	4,468,880
Other assets	2,383,609	75,309
Total Assets	$ 16,672,487	$ 5,163,197
Due to other governments	$ 408,032	$ 120,000
Other current liabilities	3,035,595	788,584
Total Current Liabilities	3,443,627	908,584
Long-term debt and capital lease obligations	29,292	3,416,667
Total Liabilities	3,472,919	4,325,251
Net position		
Unrestricted	8,110,622	210,424
Net investment in capital assets	5,088,946	627,522
Total Net Position	13,199,568	837,946
Total Liabilities and Net Position	$ 16,672,487	$ 5,163,197
Year Ended June 30, 2013		
Net patient and operating revenue	$ 26,026,863	$ 1,560,900
Operating expenses:		
Salaries, wages and benefits	13,395,486	211,954
Supplies and other expenses	12,897,677	578,266
Depreciation	517,483	527,752
Total Operating Expenses	26,810,646	1,317,972
Operating Income (Loss)	(783,783)	242,928
Nonoperating revenue (expenses)	497,259	(194,623)
Change in Net Position	(286,524)	48,305
Net Position at Beginning of Period	13,486,092	789,641
Net Position at End of Period	$ 13,199,568	$ 837,946

ContinuCare owes the Primary Health System for various services, supplies, and rents provided, or expenses paid on its behalf. Actual expenses incurred related to these services were $1,925,245 and $2,119,466 in 2014 and 2013, respectively. In addition, ContinuCare provides staffing, contract nurse visits, and administrative services to the Primary Health System. Revenues from such services were $372,554 and $617,427 for the years ended 2014 and 2013, respectively. Amounts due at June 30, 2014 and 2013 are included in amounts due to/from other governments in the accompanying combined financial statements.

As of June 30, 2014 and 2013, Cyberknife owes the Primary Health System for various services, supplies and rents provided, or expenses paid on its behalf. The Primary Health System owes Cyberknife for radiation services provided by Cyberknife to the Primary Health System's patients. Revenues related to those services provided to the Primary Health System were $1,900,600 and $1,560,900 in 2014 and 2013, respectively. Amounts due at June 30, 2014 and 2013 are included in amounts due to/from other governments in the accompanying combined statements of net position.

State of Tennessee
Health Services and Development Agency
Andrew Jackson, 9th Floor, 502 Deaderick Street, Nashville, TN 37243
www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884

January 2, 2015

Joseph M. Winick, Senior Vice President,
Planning & Business Development
Erlanger Health System
975 East 3rd Street
Chattanooga, TN 37403

RE: Certificate of Need Application -- Chattanooga-Hamilton County Hospital Authority d/b/a Erlanger East Hospital - CN1412-048

The acquisition of a linear accelerator and the initiation of services at Erlanger East Hospital at Gunbarrel Road, Chattanooga, TN, a satellite hospital operating under the license of Erlanger Medical Center, 975 East 3rd Street, Chattanooga (Hamilton County), Tennessee. If approved, Erlanger Medical Center will replace an existing linear accelerator located at the main campus at 975 East 3rd Street in Chattanooga so there will be no increase in the the number of units in the service area. The service will complement other oncology services of Erlanger East Hospital. The project cost is estimated to be $10,532,562.00.

Dear Mr. Winick:

This is to acknowledge the receipt of supplemental information to your application for a Certificate of Need. Please be advised that your application is now considered complete by this office. Your application is being forwarded to the Tennessee Department of Health for review.

In accordance with Tennessee Code Annotated, §68-11-1601, et seq., as amended by Public Chapter 780, the 60-day review cycle for this project will begin on January 1, 2015. The first sixty (60) days of the cycle are assigned to the Department of Health, during which time a public hearing may be held on your application. You will be contacted by a representative from this Agency to establish the date, time and place of the hearing should one be requested. At the end of the sixty (60) day period, a written report from the Department of Health or its representative will be forwarded to this office for Agency review within the thirty (30)-day period immediately following. You will receive a copy of their findings. The Health Services and Development Agency will review your application on March 25, 2015.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

(1) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.

(2) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have questions or require additional information, please contact me.

Sincerely,

Melanie M. Hill
Executive Director

cc: Trent Sansing, CON Director, Division of Health Statistics

State of Tennessee
Health Services and Development Agency
Andrew Jackson, 9th Floor, 502 Deaderick Street, Nashville, TN 37243
www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884

MEMORANDUM

TO: Trent Sansing, CON Director
Office of Policy, Planning and Assessment
Division of Health Statistics
Andrew Johnson Tower, 2nd Floor
710 James Robertson Parkway
Nashville, Tennessee 37243

FROM: Melanie M. Hill
Executive Director

DATE: January 2, 2015

RE: Certificate of Need Application
Chattanooga-Hamilton County Hospital Authority d/b/a Erlanger East Hospital - CN1412-048

Please find enclosed an application for a Certificate of Need for the above-referenced project.

This application has undergone initial review by this office and has been deemed complete. It is being forwarded to your agency for a sixty (60) day review period to begin on January 1, 2015 and end on March 1, 2015.

Should there be any questions regarding this application or the review cycle, please contact this office.

Enclosure

cc: Joseph M. Winick, Senior Vice President, Planning & Business Development

LETTER OF INTENT
TENNESSEE HEALTH SERVICES & DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Chattanooga Times Free Press, which is a newspaper of general circulation in Hamilton County, Tennessee, on or before December 10, 2014, for one day.

This is to provide official notice to the Health Services & Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et. seq.*, and the Rules of the Health Services & Development Agency, that Erlanger East Hospital, owned by the Chattanooga-Hamilton County Hospital Authority D/B/A Erlanger Health System, with an ownership type of governmental, and to be managed by itself, intends to file an application for a Certificate of Need to initiate radiation therapy service with the acquisition of a new Linear Accelerator to be located at Erlanger East Hospital. The new Linear Accelerator will replace an existing Linear Accelerator at Erlanger Medical Center. If this project is approved, the number of Linear Accelerators at Erlanger Medical Center will be reduced from two (2) to one (1). Upon completion there will be no change in the number of Linear Accelerators in the service area. The Linear Accelerator will complement other Oncology services at Erlanger East Hospital. The expansion of Erlanger East Hospital (CON No. CN0405-047AE) is in process. No other health care services will be initiated or discontinued.

The facility and equipment will be located at Erlanger East Hospital, 1755 Gunbarrel Road, Chattanooga, Hamilton County, Tennessee, 37421. The total project cost is estimated to be $ 10,532,560.00.

The anticipated date of filing the application is December 5, 2014.

The contact person for this project is Joseph M. Winick, Sr. Vice President, Erlanger Health System, 975 East 3rd Street, Chattanooga, Tennessee, 37403, and by phone at (423) 778-7274.

Joseph M. Winick	December 1, 2014	Joseph.Winick@erlanger.org
	Date:	E-Mail:

The Letter Of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services & Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

The published Letter Of Intent must contain the following statement pursuant to T.C.A. §68-11-1607(c)(1): (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

Mark Ausbrooks

From: Philip J. Grimm
Sent: Tuesday, December 30, 2014 9:22 AM
To: Mark Ausbrooks
Subject: FW: Erlanger Signs Agreement with UnitedHealthcare !!

Importance: High

FYI
related to a supplemental question during initial review of CN1412-048
Thanks for your help with the application.
Jeff

From: McKay, Martin [mailto:Martin.McKay@erlanger.org]
Sent: Tuesday, December 30, 2014 8:55 AM
To: Philip J. Grimm
Subject: Erlanger Signs Agreement with UnitedHealthcare !!
Importance: High

***** This is an EXTERNAL email. Please exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email - OIR-Security. *****

Jeff,

As expected, Erlanger has renewed our contractual relationship with United Healthcare, please see below. While this note is not part of a supplemental response, you can surely take note that Erlanger has maintained it's commitment to serve the vulnerable populations of Southeast Tennessee.

Thanks,
Martin McKay
Erlanger Health System
Chattanooga, Tennessee
(423) 778-3286

NEWS RELEASE

UnitedHealthcare

Contact: Tracey Lempner
UnitedHealthcare
(770) 300-3573
tracey_lempner@uhc.com

Contact: Pat Charles
Erlanger Health System
(423) 778-7427
Pat.Charles@erlanger.org

For Immediate Release

UNITEDHEALTHCARE AND ERLANGER HEALTH SYSTEM RENEW NETWORK RELATIONSHIP

Renews in-network access for all UnitedHealthcare plan participants, and expands TennCare participation to now also include adult services starting March 1, 2015

CHATTANOOGA, Tenn. (Dec. 29, 2014) — UnitedHealthcare, a UnitedHealth Group company (NYSE: UNH), and the Erlanger Health System, a five-hospital system in Chattanooga, TN, have signed a new multi-year contract that gives individuals enrolled in UnitedHealthcare's commercial and Medicare Advantage plans, as well as individuals enrolled in the state's TennCare program and in Dual Eligible Special Needs Plans, in-network access to all Erlanger facilities and physicians.

Under the renewed relationship, UnitedHealthcare commercial and Medicare plan participants will continue to have uninterrupted in-network access to the Erlanger Health System, and expectant mothers and children enrolled in the TennCare program regain in-network access effective immediately. The new contract also expands TennCare participation to give adults enrolled in the state's Medicaid program full access to all Erlanger facilities and physicians beginning
March 1, 2015.

"Erlanger values its new comprehensive relationship with UnitedHealthcare and the commitment both organizations are making to improve the health of our community," said Kevin M. Spiegel, FACHE, President and CEO of the Erlanger Health System. "We appreciate the continued trust our patients have placed in us as their health care provider."

"Erlanger is an important regional provider of health care services, and this renewed relationship lays the foundation for continued collaboration with the hospital and its doctors while helping to shift Chattanooga's health care system to one that rewards performance and patient outcomes," said Greg Reidy, CEO of UnitedHealthcare's employer and individual business in Tennessee. "Our continued collaboration gives individuals and families full access to critical health services throughout eastern Tennessee."

About UnitedHealthcare

UnitedHealthcare is dedicated to helping people nationwide live healthier lives by simplifying the health care experience, meeting consumer health and wellness needs, and sustaining trusted relationships with care providers. The company offers the full spectrum of health benefit programs for individuals, employers and Medicare and Medicaid beneficiaries, and contracts directly with more than 800,000 physicians and care professionals, and 6,000 hospitals and other care facilities nationwide. Globally, UnitedHealthcare serves more than 45 million people in health benefits and is one of the businesses of UnitedHealth Group (NYSE: UNH), a diversified Fortune 50 health and well-being company.

About Erlanger Health System:

The Erlanger Health System is a non-profit, academic health system affiliated with the University of Tennessee College of Medicine. Erlanger provides the only tertiary hospitals and Level 1 Trauma Centers for adults and children across a 31,000 square-mile region of southeast Tennessee, north Georgia, north Alabama and western North Carolina, treating over 300,000 patients annually. The health system consists of five hospitals, including Children's Hospital at Erlanger, the region's only pediatric specialty hospital, six emergency centers and offers centers of excellence in neurosciences, cancer care, cardiology, orthopedics, trauma, women and children's care and transplant services. Erlanger is recognized by U.S.

News and World Report as the top hospital in the Chattanooga region and is the tenth largest public healthcare system in the United States. Visit www.erlanger.org.

###

Original

ADDITIONAL INFORMATION

Supplemental -1

Erlanger East Hospital

CN14112-048

SUPPLEMENTAL #1
December 22, 2014
10:24 am

erlanger

December 19, 2014

Philip Grimm, MHA
HSDA Examiner
State of Tennessee
Health Services and Development Agency
Andrew Jackson, 9th Floor
502 Deaderick St.
Nashville, TN 37243

RE: Certificate of Need Application CN1412-048
Additional Information to Supplement 1
Project Specific Criteria

Dear Mr. Grimm;

Thank you for the review of our application to relocate and replace a linear accelerator from Erlanger Medical Center to Erlanger East. The additional information on Project Specific Criteria you requested is enclosed.

We are excited about our plans to modernize our East Campus with this initiative to develop a full service cancer center and look forward to the review process.

Please let us know if you have further questions or are in need of additional information.

Sincerely,

Joseph M. Winick
Senior Vice President
Planning, Analytics & Business Development

SUPPLEMENTAL #1
December 22, 2014
10:24 am

SUPPLEMENTAL INFORMATION (No. 2)

Chattanooga-Hamilton County Hospital Authority

D / B / A

Erlanger East Hospital

Application To Initiate Radiation Therapy Service

On The Erlanger East Campus

By Replacement & Relocation Of A Linear Accelerator

Currently At Erlanger Medical Center

Application Number CN1412-048

December 19, 2014

ERLANGER HEALTH SYSTEM
Chattanooga, Tennessee

SUPPLEMENTAL #1
December 22, 2014
10:24 am

Supplemental Responses To Questions Of The Tennessee Health Services & Development Agency

1.) Section C, Need, Item 1.a (Project Specific Criteria, Megavoltage Radiation Therapy Services).

Per the response provided for Section A, Item 8.E on page 5 of the application, the applicant has noted that it is seeking CON approval to initiate a new megavoltage radiation therapy/linear accelerator at Erlanger East Hospital and will be relocating an existing linear accelerator from EMC's main campus. A response to the specific criteria for this service was not provided in the application. Additionally, the HSDA Examiner did not ask for same in the 12/9/14 HSDA staff questionnaire in order to allow more time for review and discussion with HSDA senior management based on the nature and scope of this unique project. It has now been determined that a response to the criteria for radiation therapy service should be addressed at this time to accompany Supplemental 1. As such, please provide a response to the criteria with a cover page labeled "Additional Information to Supplemental 1". The criteria are provided as an attachment for your convenience.

Response

The *Standards & Criteria For Megavoltage Radiation Therapy Services* are attached to this supplemental information.

SUPPLEMENTAL #1
December 22, 2014
10:24 am

A F F I D A V I T

STATE OF TENNESSEE |
|
COUNTY OF HAMILTON |

NAME OF FACILITY Erlanger East Hospital

I, Joseph M. Winick, after first being duly sworn, State under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

SIGNATURE

SWORN to and subscribed before me this 19th of December (Month), 2014 (Year), a Notary Public in and for the State of Tennessee, County of Hamilton.

JOY P. JACKSON
STATE OF TENNESSEE NOTARY PUBLIC
HAMILTON COUNTY

NOTARY PUBLIC

My commission expires October 6 (Month / Day), 2015.

SUPPLEMENTAL #1
December 22, 2014
10:24 am

TABLE OF ATTACHMENTS

SUPPLEMENTAL #1
December 22, 2014
10:24 am

** NOTE - The attachments are paginated and the page number begins with "A". The page number appears in the upper right hand corner of the page.

SUPPLEMENTAL #1
December 22, 2014
10:24 am

ATTACHMENTS

Additional Information To Supplemental No. 1

Standards & Criteria For Megavoltage Radiation Therapy Services

1.) Utilization Standards For MRT Units.

a. Linear Accelerators not dedicated to performing SRT and/or SBRT procedures:

i. Full capacity of a Linear Accelerator MRT unit is 8,736 procedures, developed from the following formula: 3.5 treatments per hour, times 48 hours (6 days of operation, 8 hours per day, or 5 days of operation, 9.6 hours per day), times 52 weeks.

ii. Linear Accelerator Minimum Capacity: 6,000 procedures per Linear Accelerator MRT Unit annually, except as otherwise noted herein.

iii. Linear Accelerator Optimal Capacity: 7,688 procedures per Linear Accelerator MRT Unit annually, based on a 12% average downtime per MRT unit during normal business hours annually.

iv. An applicant proposing a new Linear Accelerator should project a minimum of at least 6,000 MRT procedures in the first year of service in it's Service Area, building to a minimum of 7,688 procedures per year by the third year of service and for every year thereafter.

b. For linear Accelerators dedicated to performing only SRT procedures, full capacity is 500 annual procedures.

Response

This criterion is not applicable because the Linear Accelerator at *Erlanger East Hospital* will not be dedicated to Stereotactic Radiation Therapy.

c. For Linear Accelerators dedicated to performing only SRT/SBRT procedures, full capacity is 850

annual procedures.

Response

This criterion is not applicable because the Linear Accelerator at *Erlanger East Hospital* will not be dedicated to Stereotactic Radiation Therapy or Stereotactic Body Radiation Therapy.

d. **An exception to the standard number of procedures may occur as new or improved technology and equipment or new diagnostic applications for Linear Accelerators develop. An applicant must demonstrate that the proposed Linear Accelerator offers a unique and necessary technology for the provision of health care services in the proposed Service Area.**

Response

While acquisition of the *Varian TruBeam* Linear Accelerator by *Erlanger East Hospital* does not offer new technology to the service area, it does offer new technology to the *Erlanger* cancer program by providing the first fully digital platform with advanced imaging capability and functionality. In addition, the *Varian TruBeam* Linear Accelerator offers new technology to Erlanger by replacing a 17 year old Linear Accelerator.

This technology is crucial to *Erlanger's* radiation therapy program as the service area's safety net provider.

e. **Proton Beam MRT Units. As of the date of the approval and adoption of these Standards and Criteria, insufficient data are available to enable detailed utilization standards to be developed for Proton Beam MRT Units.**

Response

This criterion is not applicable because the Linear Accelerator at *Erlanger East Hospital* is not a Proton Beam MRT Unit.

2.) Need Standards For MRT Units.

a. For Linear Accelerators not dedicated solely to performing SRT and/or SBRT procedures, need for a new Linear Accelerator in a proposed Service Area shall be demonstrated if the average annual number of Linear Accelerator procedures performed by existing Linear Accelerators in the proposed Service Area exceeds 6,000.

Response

This criterion is not applicable because this CON application does not seek to add a new Linear Accelerator to the service area. However, the average annual procedures by Linear Accelerator unit in the service area is presented below.

EHS – Analysis Of Linear Accelerator Utilization In Southeast Tennessee

County	Type	Facility Name	Year	No. Of Lin Ac's	Total Treatments	Avg. Proc's Per Unit
Hamilton	HOSP	Erlanger Medical Center	2011	2.0	8,837	4,419
Hamilton	HOSP	Memorial Hospital	2011	3.0	19,187	6,396
Hamilton	HOSP	Parkridge Medical Center	2011	2.0	3,672	1,836
Bradley	RAD	Cleveland Regional Cancer Center	2011	1.0	5,327	5,327
McMinn	ASTC	Athens Regional Cancer Center	2011	1.0	3,035	3,035
		Total >>>>>		9.0	40,058	4,451
Hamilton	HOSP	Erlanger Medical Center	2012	2.0	9,516	4,758
Hamilton	HOSP	Memorial Hospital	2012	3.0	14,914	4,971
Hamilton	HOSP	Parkridge Medical Center	2012	2.0	4,120	2,060
Bradley	RAD	Cleveland Regional Cancer Center	2012	1.0	5,018	5,018
McMinn	ASTC	Athens Regional Cancer Center	2012	1.0	2,717	2,717
		Total >>>>>		9.0	36,285	4,032
Hamilton	HOSP	Erlanger Medical Center	2013	2.0	9,519	4,760
Hamilton	HOSP	Memorial Hospital	2013	3.0	16,734	5,578
Hamilton	HOSP	Parkridge Medical Center	2013	2.0	3,693	1,847
Bradley	RAD	Cleveland Regional Cancer Center	2013	1.0	5,473	5,473
McMinn	ASTC	Athens Regional Cancer Center	2013	1.0	2,732	2,732
		Total >>>>>		9.0	38,151	4,239

NOTES
(1) This information is derived from the *Tennessee Health Services Agency - Major Medical Equipment Registry.*

b. For Linear Accelerators dedicated solely to

performing SRT procedures, need in a proposed Service Area shall be demonstrated if the average annual number of MRT procedures performed by existing Linear Accelerators dedicated to performing only SRT/SBRT procedures in a proposed Service Area exceeds 510, based on a full capacity of 850 annual procedures.

Response

This criterion is not applicable because the Linear Accelerator at *Erlanger East Hospital* will not be dedicated to Stereotactic Radiation Therapy.

c. **For Linear Accelerators dedicated to performing only SRT/SBRT procedures, need in a proposed Service Area shall be demonstrated if the average annual number of MRT procedures performed by existing Linear Accelerators dedicated to performing only SRT/SBRT procedures in a proposed Service Area exceeds 510, based on a full capacity of 850 annual procedures.**

Response

This criterion is not applicable because the Linear Accelerator at *Erlanger East Hospital* will not be dedicated to Stereotactic Radiation Therapy or Stereotactic Body Radiation Therapy.

d. **Need for a new Proton Beam MRT Unit: Due to the high cost and extensive service areas that are anticipated to be required for these MRT Units, an applicant proposiong a new Proton Beam MRT Unit shall provide information regarding the utilization and service areas of existing or planned Proton Beam MRT Units' utilization and service areas (including those that have received a CON), if they provide MRT services in the proposed Service Area and if that data are available, and the impact its application, if granted, would have on those other Proton Beam MRT Units.**

Response

This criterion is not applicable because the Linear Accelerator at *Erlanger East Hospital* is not a Proton Beam MRT Unit.

e. **An exception to the need standards may occur as new or improved technology and equipment or new diagnostic applications for MRT Units develop. An applicant must demonstrate that the proposed MRT Unit offers a unique and necessary technology for the provision of health care services in the proposed Service Area.**

Response

While acquisition of the *Varian TruBeam* Linear Accelerator by *Erlanger East Hospital* does not offer new technology to the service area, it does offer new technology to the *Erlanger* cancer program by providing the first fully digital platform with advanced imaging capability and functionality. In addition, the *Varian TruBeam* Linear Accelerator offers new technology to Erlanger by replacing a 17 year old Linear Accelerator.

This technology is crucial to *Erlanger's* radiation therapy program as the service area's safety net provider.

3.) **Access To MRT Units.**

a. **An MRT unit should be located at a site that allows reasonable access for residents of the proposed Service Area.**

Response

The service area for the radiation oncology service at *Erlanger East Hospital* will serve patients from the entire service area, however, it is expected that the patients most likely to receive service at *Erlanger East Hospital* will originate from the area to the East of Chattanooga, Tennessee, as illustrated by the table below.

East Hamilton, Bradley, McMinn and Polk Counties in Tennessee are within 45 minutes of Erlanger East Hospital.

EHS – Radiation Oncology Service
Patient Origin - 2013

	Total Erlanger	% EHS Pt. Origin	East Of Chattanooga	% Of Total
Hamilton County, TN	231	47.9%	97	44.7%
Bradley County, TN	28	5.8%	28	12.9%
Marion County, TN	18	3.7%		0.0%
Grundy County, TN	4	0.8%		0.0%
Sequatchie County, TN	18	3.7%		0.0%
Bledsoe County, TN	7	1.5%		0.0%
Rhea County, TN	26	5.4%		0.0%
Meigs County, TN	5	1.0%		0.0%
McMinn County, TN	5	1.0%	5	2.3%
Polk County, TN	7	1.5%	7	3.2%
Other	133	27.7%	80	36.9%
Total - EHS	482	100.0%	217	100.0%

b. An applicant for any proposed new Linear Accelerator should document that the proposed location of the Linear Accelerator is within a 45 minute drive time of the majority of the proposed Service Area's population.

Response

The service area for the radiation oncology service at *Erlanger East Hospital* will serve patients from the entire service area, however, it is expected that the patients most likely to receive service at *Erlanger East Hospital* will originate from the area to the East of Chattanooga, Tennessee, as illustrated by the table below.

East Hamilton, Bradley, McMinn and Polk Counties in Tennessee are within 45 minutes of Erlanger East Hospital.

c. Applications that include the non-Tennessee counties in their proposed Service Areas should

provide evidence of the number of existing MRT units that service the non-Tennessee counties, their utilization rates, and their capacity (if that data are available).

Response

This criterion is not applicable because there are not any non-Tennessee counties which have been included in the service area.

4.) **Economic Efficiencies. All applicants for any proposed new MRT Unit should document that lower cost technology applications have been investigated and found less advantageous in terms of accessibility, availability, continuity, cost, and quality of care.**

Response

This criterion is not applicable because Erlanger will not be acquiring a "new" MRT unit for *Erlanger East Hospital* because we are relocating a Linear Accelerator from Erlanger medical Center.

5.) **Separate Inventories For Linear Acelerators And For other MRT Units. A separate inventory shall be maintained by the HSDA for Linear Accelerators, for Proton Beam Therapy MRT units, and, if data are available, for Linear Accelerators dedicated to SRT and/or SBRT procedures and other types of MRT Units.**

Response

Erlanger has in the past, and will continue to comply, with the reporting requirements of the HSDA.

6.) **Patient Safety And Quality Of Care. The applicant shall provide that any proposed MRT Unit is safe and effective for its proposed use.**

a. **The United States Food & Drug Administration must certify the proposed MRT Unit for clinical use.**

Response

The letter from the FDA approving the *Varian TruBeam* Linear Accelerator for commercial use was filed with the CON application.

b. The applicant should demonstrate that the proposed MRT Unit shall be housed in a physical environment that conforms to applicable federal standards, manufacturer's specifications, and licensing agencies' requirements.

Response

The letter from our architect, Mr. Chuck Arnold, states that implementation of the project will be compliant with all Federal, State and local codes and ordinances; as well as all manufacturer specifications.

c. The applicant should demonstrate how emergencies within the MRT Unit facility will be managed in conformity with accepted medical practice, Tennessee Open Records Act and/or Tennessee Open Records Act.

Response

A copy of the *Policy Pertaining To Emergencies* was filed with the CON application.

d. The applicant should establish protocols that assure that all MRT procedures performed are medically necessary and will not unnecessarily duplicate other services.

Response

A copy of the *Policy On Outpatient Orders And Medical Necessity* was filed with the CON application.

e. An applicant proposing to acquire any MRT Unit shall demonstrate that it meets the staffing and quality assurance requirements of the American Society of Therapeutic Radiation & Oncology

(ASTRO), the American College of Radiology (ACR), the American College of Radiation Oncology (ACRO) or a similar accrediting authority such as the National Cancer Institute (CNI). Additionally, all applicants shall commit to obtain accreditation from ASTRO, ACR or a comparable accreditation authority for MRT Services within two years following initiation of the operation of the proposed MRT Unit.

Response

While the organizations mentioned in this criterion do not have staffing "requirements", they do have staffing "recommendations"; *Erlanger* meets the staffing recommendations of ACR. *Erlanger* adheres to the quality assurance requirements of ACR. Further, while Erlanger is not currently accredited by one of the organizations listed in the criterion, *Erlanger* hereby commits to obtaining such accreditation within 2 years following initiation of operation of the proposed *Varian TruBeam* Linear Accelerator.

f. **All applicants should seek and document emergency transfer agreements with local area hospitals, as appropriate. An applicant's arrangements with its physician medical director must specify that said physician be an active member of the subject transfer agreement hospital medical staff.**

Response

A copy of the list of *Erlanger's Patient Transfer Agreements* was filed with the CON application. The medical director for the Radiation Center at *Erlanger East Hospital*, Dr. Frank Kimsey, is an active member of the medical staff at *Erlanger Medical Center* and *Erlanger East Hospital*. His contract stipulates this requirement.

g. **All applicants should provide evidence of any onsite simulation and treatment planning services to support the volumes they project and any impact such services may have on volumes and treatments times.**

Response

With the schematic drawings which were filed with the HSDA for this CON application, it is shown that a CT Simulator will be located at the *Radiation Center* at *Erlanger East Hospital*. Thus, the volumes which are projected are supported.

7.) The applicant should provide assurances that it will submit data in a timely fashion as requested by the HSDA to maintain the HSDA equipment registry.

Response

Erlanger has in the past, and will continue to comply, with the reporting requirements of the HSDA.

8.) In light of Rule 0720-11.01, which lists the factors concerning need on which an application may be evaluated, and Principle No. 2 in the State Health Plan, "Every citizen should have reasonable access to health care," the HSDA may decide to give special consideration to an applicant:

a. Who is offering the service in a medically underserved area as designated by the United States Health resources and Services Administration;

Response

A copy of the web page from the Health Resources & Services Administration was filed with this CON application indicating that the proposed service area is designated as medically underserved.

b. Who is a "safety net hospital" or a "children's hospital" as defined by the Bureau of TennCare Essential Access Hospital payment program; or

Response

Erlanger Medical Center is designated by the TennCare Bureau as a safety net hospital; *Erlanger East*

Hospital is licensed, and operates as, a satellite hospital of *Erlanger Medical Center*. Further, *Erlanger Medical Center* has the only Children's Hospital in the service area.

c. Who provides a written commitment of intention to contract with at least one TennCare MCO and, if providing adult services, to participate in the Medicare program.

Response

Copies of articles were filed with the HSDA with the 1st supplement to this CON application documenting that *Erlanger Health System* has signed agreement with TennCare MCO's. *Erlanger Medical Center*, inclusive of *Erlanger East Hospital*, does provide services to adults and is a participating provider with the Medicare program.

[End Of Responses To Standards & Criteria For Megavoltage Radiation Therapy Services - 2011, pages 24-30.]

COPY

ADDITIONAL INFORMATION

Supplemental -2

Erlanger East Hospital

CN1412-048

The number of chemotherapy patients in following years will be higher. The infusion center at *Erlanger East Hospital* will be staffed by 1 medical oncologist on site that will see approximately 700 additional patients, however, not all of them will need chemotherapy. It is expected that the medical oncology patients originating from points East of Chattanooga will most likely receive their care at *Erlanger East Hospital*. Some shifting of patients may be expected.

The percentage of surgeries at *Erlanger Medical Center* is approximately 9.2% for inpatients and 11.4% for outpatients. The cancer surgery mix at *Erlanger East Hospital* is expected to be primarily outpatient; therefore, we do not expect it to be similar to *Erlanger Medical Center*.

4.) Section B, Project Description, Item II.E 1.a – Item 1 And Section C, Economic Feasibility, Item 1 (Project Cost Chart).

The response with revised Project Costs Chart identified $3,065,941 for the purchase of a Varian Truebeam unit, $690,345 for a CT simulator and $1,458,984 for the cost of a 5-year service agreement for a total medical equipment cost of $5,215,270 as noted in line A.7 of the revised chart. Review of the October 2, 2014 vendor quote by Varian Medical Systems revealed that the cost of a 5 year service agreement for the unit was missing from the quote. Please provide documentation such as an addendum to the vendor quote that supports the linear accelerator unit's $1,458,984 service cost. In addition, what are the amounts included for shipping and taxes in the revised Project Costs Chart? Please clarify.

Response

A copy of the quote from *Varian* for the Linear Accelerator maintenance for the 5 year period, as well as a copy of the total estimate for maintenance which documents the $ 1,458,984, is attached to this supplemental information. Varian's quote shows incorrect maintenance cost in year 1 of $ 255,994.00. Year 1 maintenance is covered by warranty. Since *Erlanger* is a governmental unit we are tax exempt, therefore, no amount was included for taxes. As to shipping cost, the terms of the quote show "FOB:

SUPPLEMENTAL
December 30, 2014
10:00 am

A F F I D A V I T

STATE OF TENNESSEE |
|
COUNTY OF HAMILTON |

NAME OF FACILITY Erlanger East Hospital

I, Joseph M. Winick, after first being duly sworn, State under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

SIGNATURE

SWORN to and subscribed before me this 29 of December (Month), 2014 (Year), a Notary Public in and for the State of Tennessee, County of Hamilton.

Shelia Hall
NOTARY PUBLIC

My commission expires June 9 (Month / Day), 2018.

SHELIA HALL
STATE OF TENNESSEE NOTARY PUBLIC
HAMILTON COUNTY

Supplemental #1
-Original-

Erlanger East Hospital

CN1412-048

erlanger

SUPPLEMENTAL #1
December 18, 2014
10:15 am

December 17, 2014

Philip Grimm, MHA
HSDA Examiner
State of Tennessee
Health Services and Development Agency
Andrew Jackson, 9th Floor
502 Deaderick St.
Nashville, TN 37243

RE: Certificate of Need Application CN1412-048
Erlanger Medical Center

Dear Mr. Grimm;

Thank you for the review of our application to relocate and replace a linear accelerator from Erlanger Medical Center to Erlanger East. The additional information you requested is enclosed. We are excited about our plans to modernize our East Campus with this initiative to develop a full service cancer center and look forward to the review process.

Please let us know if you have further questions or are in need of additional information.

Sincerely,

Joseph M. Winick
Senior Vice President
Planning, Analytics & Business Development

SUPPLEMENTAL #1
December 18, 2014
10:15 am

SUPPLEMENTAL INFORMATION

Chattanooga-Hamilton County Hospital Authority

D / B / A

Erlanger East Hospital

Application To Initiate Radiation Therapy Service

On The Erlanger East Campus

By Replacement & Relocation Of A Linear Accelerator

Currently At Erlanger Medical Center

Application Number CN1412-048

December 14, 2014

ERLANGER HEALTH SYSTEM
Chattanooga, Tennessee

SUPPLEMENTAL #1

December 18, 2014
10:15 am

Supplemental Responses To Questions Of The Tennessee Health Services & Development Agency

1.) Section A, Applicant Profile, Item 6.

The Warranty Deed dated 1988 for the tract of approximately 27.89 acres is noted. Absent names of streets as a comparison to the plot plan in the application, what additional insight can the applicant provide to document site control pertaining to Erlanger East Hospital.

Response

The description contained in the Warranty Deed provides the following information …

"Beginning at the intersection of the southern right-of-way of ***Crane Road*** (allowing for a width of 50 feet) with the western line of ***Gunbarrel Road*** …"

This description is located on lines 4-5 of the parcel description which provides the requested information.

2.) Section A, Applicant Profile, Item 10.

Under the notes for this item, the applicant notes a transfer of 70 beds from the EMC main hospital campus to Erlanger East Hospital in CN0405-047AE. However, HSDA records for the Certificate of Need, including recent approval of the project's 4th extension request, reflect approval for the transfer of 79 beds in lieu of 70 beds. Review of the CON approval letter & other related correspondence reveals the project will decrease the main campus beds from 703 to 624 licensed beds and increase the east campus beds from 28 to 107 licensed beds. Please explain. In your response please also provide the bed complement under EMC's consolidated license for its 3 campuses showing all licensed beds by service.

Response

The original CON approved a transfer of 79 beds from *Erlanger Medical Center* to *Erlanger East Hospital*.

Following that CON, a subsequent CON was approved to transfer six (6) beds from *Erlanger Medical Center* to *Erlanger East Hospital* for the purpose of the Level II-A nursery (see CN0407-067A). The bed complement for *Erlanger East Hospital* is summarized below.

Original Licensed Beds	28
Medical / Surgical Beds (CN0405-067AE)	79
Nursery Beds Added (CN0407-067A)	6
Total Beds Available	113
Total Beds Currently Licensed	43
Medical / Surgical Beds Remaining To Be Implemented (CN0405-067AE)	70

*** Note - Of the 79 beds approved in CN0405-067AE, a total of 9 beds have been implemented to date.

The request for the current bed complement for *Erlanger's* 3 campuses in Hamilton County is below.

Bed Type	Erlanger Main Campus	Erlanger North	Erlanger East	EMC Licensed Beds
Medical	251	21	12	284
Surgical	193	20	6	219
Long-Term Care Hospital				
Obstetrical	40		25	65
ICU / CCU	91	4		95
Neonatal ICU	64			64
Pediatric	49			49
Adult Psychiatric				
Geriatric Psychiatric		12		12
TOTAL	688	57	43	788

3.) Section A, Applicant Profile, Item 13.

The applicant's contract with United Care of Tennessee for commercial and Medicare Advantage products is noted. However, please clarify why the applicant does not have a contract with United Healthcare Community Plan for TennCare enrollee's over the age of 21.

New TennCare Managed Care Contract with the Bureau of TennCare will take effect January 1, 2015 with full statewide implementation for AmeriGroup, BlueCare Tennessee and United Healthcare. Please indicate the stages of contract discussions with each MCO for these new and any other contracts.

Response

Erlanger is in continued contract negotiations with *United Healthcare Community Plan* and has signed a contract with Amerigroup (see copy of articles on the negotiation status attached to this supplemental information). *Erlanger Health System's* leadership recently met with, and is in continuing discussion with, *United Healthcare* in an effort to come to terms on outstanding issues. In the meantime, any of these TennCare enrollees will still able to access *Erlanger's* emergency departments and other services, if needed.

4.) Section B, Item 1 (Project Summary).

The executive summary is noted. Please include brief descriptions for project funding, financial feasibility/sustainability for the proposed project.

Response

Brief descriptions are below as requested.

Project Funding

The project will be funded by continuing operations of *Erlanger Health System*. The CFO letter attached to the CON application confirms this.

Financial Feasibility / Sustainability

The *Projected Data Chart* shows that this project is financially viable in both years 1 and 2.

5.) Section B, Project Description, Item II.A.

The response pertaining to construction is noted. However, the 7,396 total square feet for the proposed radiation therapy service in the response is less than

the total size of the project identified in the Square Footage Chart on page A-16 (8,020 total square feet). Further the response makes no note of the scope of work related to the inpatient/outpatient pharmacy that was addressed in the 11/26/14 architect's letter on page A-15 of the application. Please explain.

Square footage Chart - The total costs for the areas in the chart were omitted. Please add this information and submit a revised chart in a replacement page for the application.

Response

A portion of the space that will be vacated by the relocation of the inpatient pharmacy & outpatient pharmacy will not be included in the SF for the new radiation therapy center. It will be renovated as lobby space to facilitate patient flow through the entry to the hospital and radiation therapy center.

A revised *Square Footage Chart* is attached to this supplemental information.

6.) Section B, Item Project Description, II.D.

Please describe the applicant's enhancements pertaining to the development and operation of EMC's comprehensive cancer program, including the addition of a radiation therapy service at Erlanger East Hospital.

Suggested contents to help the Agency gain a better understanding of the service are as follows: (1) a description of the services of the oncology program such as surgery, diagnostic and treatment (chemotherapy) services; (2) a description of any specialized services (e.g., mammography screening, community education programs for cancer, etc.); (3) a description of any specialized equipment for diagnostic and/or treatment services; (4) a description of hospital/medical staff organizational structures for coordinating the activities of the oncology program, including information systems such as its tumor registry and tumor board; and (5) a description of EMC's participation in any clinical

investigative protocols through formal oncology network relationships with other providers.

In your response, please include an estimate of cancer surgeries as a percentage of EMC's and Erlanger East's total surgical procedures in 2012, 2013 and 2014. Please also address chemotherapy caseloads at Erlanger east for these periods going forward Year 1 of the project.

Response

Erlanger seeks to make cancer service convenient and readily accessible to those served. At *Erlanger East*, cancer services now in place or being developed will complement those provided on the main *Erlanger* campus. Specific services at *Erlanger East* include a comprehensive breast center which provides screening mammography, diagnostic mammography, ultrasound, lumpectomy and chemotherapy services. We utilize digital breast tomosynthesis for mammography imaging, providing improved visualization for the radiologist, while also reducing the need to recall or biopsy patients. Our chemotherapy infusion center has the capacity for 15 patients.

We have certified breast cancer nurse navigators, stereotactic biopsy capabilities, an oncology research coordinator who can provide access to clinical research protocols, community outreach initiatives and more. The team of oncologists, hematologist and surgeons at *Erlanger East Hospital* participate in the tumor board at *Erlanger*. Such services have been in development as part of the long term plan for *Erlanger East Hospital* so historical data on surgery and chemotherapy case loads are not yet available. Approximately 700 chemotherapy patients are anticipated in the first year of the project. The relocation of the linear accelerator to the campus will complement these services while providing convenient access for those in need, creating a single destination where all required care can be provided.

7.) Section B, Project Description, Item II.E.1.a – Items 1 and 3.

The response to Item 1 matches the $3,065,941 Varian Truebeam vendor equipment quote vendor effective

through March 2015. However, this cost does not match the total fixed equipment cost in Line 7 of the Project Costs Chart on page 39 of the application ($5,351,093). Please clarify and reconcile by identifying all applicable costs for the linear accelerator, including the base equipment cost, warranty, shipping and taxes.

For clinical applications, please identify and describe the clinical features and advantages of the unit pertaining to its ability to perform IMRT, IGRT and SRS procedures, at a minimum. It may be helpful to a better appreciation of the project to describe how these items contribute to the applicant's plans to provide modern cancer radiation therapy services.

Response

As part of the comprehensive radiation therapy center to be located at *Erlanger East Hospital* there will be a CT Simulator along with furniture and other miscellaneous equipment.

Varian TruBeam Linear Accelerator	$ 3,065,941
CT Simulator	690,345
Service Contracts (5 years)	1,458,984
Furniture, Fixtures & Misc. Equip.	135,823
Total	$ 5,351,093

A revised *Project Cost Chart* is attached to this supplemental information.

Concerning clinical applications for the unit, the *Varian TrueBeam* is equipped with On-Board Imaging ("OBI") which allows better precision for repetitive localization of targeted tumor volumes on a daily basis. OBI is also used to perform Image Guided Radiation Therapy ("IGRT"). This unit also can deliver IMRT using Rapid Arc technology when medically appropriate for faster delivery of highly conformal treatment, therefore reducing the amount of time that a patient must lie still to receive their daily treatment. The *TrueBeam* can also be used to provide gantry based Stereotactic Body Radiation Therapy and Stereotactic Radiosurgery (SBRT/SRS). *Erlanger* currently uses the *CyberKnife* to provide robotic SBRT and SRS on the downtown campus but with acquisition of this unit, would have the

capability to extend the stereotactic treatment options to the *Erlanger East Hospital* campus as well.

8.) Section B, Project Description, Item III (Plot Plan).

The 2 versions of plot plans are noted. For the page A-17 version, Please insert an arrow that identifies the location & entrance of the proposed radiation therapy service. For version on page A-18, please revise by including the names for Gunbarrel and Crane Streets.

Response

The revised plot plans are attached to this supplemental information.

9.) Section C, Need, Item I.a (Specific Criteria, Construction & Renovation).

Given the project focus on replacement and relocation of one of EMC's two existing units to its satellite hospital Erlanger East, please provide responses for the criteria pertaining to construction and renovation criteria in this section (*Sumner Regional Hospital, CN1408-036A, may be helpful as an example*).

Response

The criteria for *Construction, Renovation, Expansion and Replacement Of Health Care Institutions* are attached to this supplemental information.

10.) Section C, Need, Items 3, 4.A, and 4.b (Service Area).

Item 3 - The county designation and justification of the service area is noted. The table in the response is based on data from the THA Health information Network. Since HSDA Equipment Registry Data is also available to measure patient origin by service, it would be helpful to comparing the table using both sets of data. Please provide the table using HSDA for radiation therapy treatments by residents of the 10 county TN service area in 2011, 2012 and 2013. In your

response, please note any major differences between the data, as appropriate.

Item 4.A - your response to this item using data from Claritas and THA Health Information Network is noted. However, please complete the following chart using information from the Department of Health population projections.

Demographic of Service Area	Bledsoe	Bradley	Grundy	Hamilton	Marion	MCMinn	Meigs	Polk	Rhea	Sequatchie	Service Area	State of TN
Total Population-Current Year -2014												
Total Population-Projected Year -2018												
Total Population-% change												

Item 4.B - Please briefly summarize the cancer rate in the service area using data from the TN Department of Health (TDH) such as the cancer registry or applicable recent publication (e.g. Cancer in Tennessee, 2005-2009). Specifically, please identify cancer use rates by county for the most recent 3 consecutive year period available and compare to statewide and national averages. Please also provide the linear accelerator treatments per 1,000 population for the service area and the State of Tennessee overall. Linear accelerator treatment data is available from Alecia Craighead at the HSDA offices.

Response

Item 3

The table requested is below.

	10 County Tennessee Service Area Utilization							
	======= HSDA Linear Accelerator Treatments ==========						= THA Inpatient Market Data =	
Patient Origin	2011	2012	2013	Trend 2011-2013	% Change 2011-2013	2013 Pt. Origin	% EHS Pt. Origin	% Svc. Area Pt. Origin
Hamilton County	19,323	17,453	17,359	-1,964	-10.2%	68.7%	48.8%	59.1%
Bradley County	1,795	1,692	1,425	-370	-20.6%	5.6%	6.5%	7.6%
Marion County	1,377	1,621	1,414	37	2.7%	5.6%	2.9%	4.0%
Grundy County	403	251	470	67	16.6%	1.9%	0.9%	3.6%
Sequatchie County	628	677	940	312	49.7%	3.7%	3.6%	4.3%
Bledsoe County	545	324	502	-43	-7.9%	2.0%	1.8%	1.8%
Rhea County	1,629	1,545	1,587	-42	-2.6%	6.3%	4.0%	6.4%
Meigs County	401	369	722	321	80.0%	2.9%	0.9%	2.4%
McMinn County	710	523	583	-127	-17.9%	2.3%	1.4%	8.4%
Polk County	236	290	277	41	17.4%	1.1%	1.3%	2.4%
Out Of Area							27.9%	
Total	27,047	24,745	25,279	-1,768	-6.5%	100.0%	100.0%	100.0%

The total of Linear Accelerator treatments for the service area has decreased by 6.5% between 2011 and 2013. Patient origin data shows that Hamilton County accounts for 68.7% of Linear Accelerator treatments but only 59.1% of inpatient admissions. Also, McMinn County accounts for 2.3% of Linear Accelerator treatments and 8.4% of inpatient admissions.

Item 4.A

The information requested was presented on page 33 of the CON application.

Item 4.B

The table requested is below.

	10 County Tennessee Service Area Rates				
		HSDA LinAc	LinAc	== Rates 2005-2009 =	
	2014	Treatments	Treatments	Cancer	Cancer
County	Population	2013	Per 1,000	Incidence	Mortality
Hamilton County	347,451	17,359	49.96	482.0	180.0
Bradley County	103,308	1,425	13.79	438.3	187.6
Marion County	28,556	1,414	49.52	520.4	242.6
Grundy County	13,355	470	35.19	487.8	203.7
Sequatchie County	15,019	940	62.59	393.5	223.5
Bledsoe County	12,641	502	39.71	418.2	162.5
Rhea County	33,392	1,587	47.53	599.7	214.5
Meigs County	12,205	722	59.16	483.6	177.7
McMinn County	52,233	583	11.16	437.4	195.1
Polk County	16,604	277	16.68	475.0	222.8
Total - Svc. Area	634,764	25,279	39.82	477.3	189.9
Tennessee	6,588,698	361,834	54.92	476.8	199.8

** NOTES - 1.) Population data from TDOH population estimates.
2.) Linear Accelerator treatment data from HSDA.
3.) Cancer incidence and mortality data from TDOH report "*Cancer In Tennessee - 2005-2009*". Please note that this report does not contain the most recent 3 consecutive years of data.

11.) Section C, Need, Item 5.

The table of linear accelerator utilization trends of existing providers in the service area is noted. Please add columns to the table that identify (1) each hospital's mileage from Erlanger East and (2) # procedures by residents of the 10 county TN service area for each provider for each of the periods shown (please contact Alecia Craighead, Stat III, for assistance with data from the HSDA Equipment Registry for this response).

Please complete the table below for the utilization of existing linear accelerators in the 10 county Tennessee portion of the service area using data from the HSDA Equipment Registry.

10-County TN Service Area Historical Utilization

Facility	# Units	2011 procedures	2012 Procedures	2013 procedures	% Change '11-13	2013 txs per unit as a % of 7688 optimal standard

10 County TN Service Area						
EMC Main Campus						
EMC as a % of Providers						

Response

The table of Linear Accelerator utilization has been revised as requested to show distance from *Erlanger East Hospital* and procedures by residents of the 10 county service area.

EHS – Analysis Of Linear Accelerator Utilization In Southeast Tennessee

County	Type	Facility Name	Year	No. Of Lin Ac's	Total Treatments	Avg. Proc's Per Unit	Distance From Erlanger East Hospital	Utilization By Residents Of Svc. Area
Hamilton	HOSP	Erlanger Medical Center	2011	2.0	8,837	4,419	9.4 Miles	7,089
Hamilton	HOSP	Memorial Hospital	2011	3.0	19,187	6,396	8.6 Miles	15,229
Hamilton	HOSP	Parkridge Medical Center	2011	2.0	3,672	1,836	8.3 Miles	2,679
Bradley	RAD	Cleveland Regional Cancer Center	2011	1.0	5,327	5,327	22.1 Miles	213
McMinn	ASTC	Athens Regional Cancer Center	2011	1.0	3,035	3,035	49.5 Miles	104
		Total >>>>>		9.0	40,058	4,451		25,314
Hamilton	HOSP	Erlanger Medical Center	2012	2.0	9,516	4,758	9.4 Miles	7,922
Hamilton	HOSP	Memorial Hospital	2012	3.0	14,914	4,971	8.6 Miles	11,728
Hamilton	HOSP	Parkridge Medical Center	2012	2.0	4,120	2,060	8.3 Miles	3,221
Bradley	RAD	Cleveland Regional Cancer Center	2012	1.0	5,018	5,018	22.1 Miles	189
McMinn	ASTC	Athens Regional Cancer Center	2012	1.0	2,717	2,717	49.5 Miles	84
		Total >>>>>		9.0	36,285	4,032		23,144
Hamilton	HOSP	Erlanger Medical Center	2013	2.0	9,519	4,760	9.4 Miles	7,676
Hamilton	HOSP	Memorial Hospital	2013	3.0	16,734	5,578	8.6 Miles	12,839
Hamilton	HOSP	Parkridge Medical Center	2013	2.0	3,693	1,847	8.3 Miles	2,822
Bradley	RAD	Cleveland Regional Cancer Center	2013	1.0	5,473	5,473	22.1 Miles	
McMinn	ASTC	Athens Regional Cancer Center	2013	1.0	2,732	2,732	49.5 Miles	
		Total >>>>>		9.0	38,151	4,239		23,337

** Note – Per data received from Alecia Craighead at HSDA, Cleveland Regional and Athens Regional Cancer Centers were not listed for 2013.

The table for Linear Accelerator utilization showing Erlanger as a percentage appears below.

10 County Tennessee Service Area Historical Utilization

Facility	No. Of Units	====== Total Procedures ====== 2011	2012	2013	% Change 2011 - 2013	2013 Trmts. Per Unit As % Of Std.
10 County Service Area	9	40,058	36,285	38,151	-4.8%	55.1%
EMC Main Campus	2	8,837	9,516	9,519	7.7%	61.9%
EMC As % Of Providers	22.2%	22.1%	26.2%	25.0%	13.1%	112.3%

12.) Section C, Need, Item 6 Applicant's Utilization).

Review of the JAR of EMC's radiation therapy-linear accelerator utilization revealed discrepancies with HSDA Equipment Registry records. For example, the 2011 JAR reflects 1,059 inpatient procedures plus 18,582 outpatient procedures for a total of 19,641 radiation therapy procedures compared to the 8,837 total procedures that were reported by the applicant to HSDA for the period. The differences in the total utilization by year between the JAR and HSDA data is noted below:

Comparison of Annual Radiation Therapy Procedures by Reporting Source

Source	2011	2012	2013
HSDA Equipment Registry	8.837	9,516	9,519
Applicant's JAR	19,641	24,303	24,090
Patients –JAR only	Not reported	916	640
Estimated average # procedures/patient (JAR only)	Not reported	28 per patient	38 per patient

Please explain what accounts for the difference in the utilization between what EMC reported to TDH and HSDA. In your response, please also identify and describe what patients can expect for a typical course of treatment such as 38 treatments per patient for a general course of treatment in a given year, 28 per patient for IMRT, etc.

The general utilization for Erlanger Medical Center is noted. However, please respond to the question specific to for projected utilization linear accelerator services by completing the table below.

Historical and Projected Linear Accelerator Treatments

Location of Unit	2012	2013	2014 (estimated)	Year 1	Year 2	% Change '11-Year 2
EMC Main Campus						
Erlanger East Hospital						
Total						
As a % of 7,688 optimal capacity/unit						

Response

The data that have been reported on the Joint Annual Report for many years is inclusive of volumes for various support functions to the radiation therapy program such as CT Simulator, etc. The data reported on the Medical Equipment Registry is also understated. The correct number of Linear Accelerator treatments appears in the table below for 2012, 2013 and 2014. With this information, it may be seen that the number of treatments per patient above is not correct. For purposes of this CON application we have planned an average of 22 treatments per patient.

The table requested is below.

	Historical & Projected Linear Accelerator Treatments					
Location Of Unit	2012	2013	Estimated 2014	Year 1	Year 2	% Change 2012-Year 2
Erlanger Medical Center	10,134	9,934	9,559	5,654	5,830	-42.5%
Erlanger East Hospital				4,950	5,500	100.0%
Total	10,134	9,934	9,559	10,604	11,330	11.8%
As % Of 7,688 Optimal	65.9%	64.6%	62.2%	69.0%	73.7%	11.8%

13.) Section C, Economic Feasibility, Item 1 (Project Cost Chart).

The filing fee is short by $2.00. Please revise the chart and submit a replacement page. Please also remit the additional $2.00 with your response.

Proposed linear accelerator unit - the following definition regarding major medical equipment cost in Tennessee Health Services and Development Agency Rule 0720-9-.01 (13)(b) states " The cost of major medical equipment includes all costs, expenditures, charges, fees, and assessments which are reasonably necessary to put the equipment into use for the purposes for which the equipment was intended. Such costs specifically include, but are not necessarily limited to the following: (1) maintenance agreements, covering the expected useful life of the equipment; (2) federal, state, and local taxes and other government assessments and (3) installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding."

Is the $5,351,093 fixed equipment cost listed in Line A.7 of the Project Cost Chart consistent with this Rule? In your response, please provide a breakout of the key cost items of the fixed unit that apply to the project. If not, please make the necessary equipment cost adjustments and submit a revised Project Cost Chart.

Response

The remaining CON application fee of $ 2.00 is enclosed along with a revised *Project Cost Chart*. The service costs for the first 5 years have been included in the *Project Cost Chart* as per Agency rule.

14.) Section C, Economic Feasibility, Item 4 (Historical & Projected Data Charts).

Given the hospital's satellite facility status under EMC's consolidated license and EMC's plans to continue operation of a linear accelerator at the main hospital campus, please also provide a Projected Data Chart for the hospital's radiation therapy service as a whole (*note: the requested Projected Data Chart would identify the utilization and financial performance based on EMC's 2 linear accelerator units at both locations*).

Please identify other expenses by completing the following table for both the Historical and Projected Data Charts provided on pages 42 and 43 of the application.

OTHER EXPENSES

OTHER EXPENSES CATEGORIES	Year___	Year___	Year___
1.	$_____	$_____	$_____
2.	_____	_____	_____
3.	_____	_____	_____
4.	_____	_____	_____
5.	_____	_____	_____
6.	_____	_____	_____
7.	_____	_____	_____
Total Other Expenses	$_____	$_____	$_____

Response

The detail for other expenses on the *Historical Data Chart* for *Erlanger Health System* is attached to this supplemental information. The detail for other expenses on the *Projected Data Chart* for years 1 and 2 of the project consists solely of service contracts related to the Linear Accelerator and other equipment.

The *Projected Data Chart* for the entire radiation therapy program at *Erlanger* is attached to this supplemental information.

15.) Section C, Economic Feasibility, Question 5.

The average gross charge, average deduction and average net charge of EMC is noted. However, please identify for the radiation therapy service of EMC as a whole and complete the table below.

Average Gross Charge Trend, EMC Radiation Therapy Service

Year	# Linear Accelerator Units	EMC Radiation Therapy Treatments	Average Gross Revenue (charges)	Average gross charge per treatment
2011	2	8,837	$9,526,460	$1,078
2012	2	9,516	$9,351,036	$983
2013	2	9,519	$7,999,663	$840
% Change '11-'13	*NC*	*+7.8%*	*-16%*	*-22%*
2014 (estimated)	2			
2015 (projected)	2			
Year 1*	2			
Year 2	2			
% Change '14-Year2				

**Note: Year 1 includes treatments and total gross revenues for both of EMC's linear accelerator units (1 at EMC main campus and 1 at Erlanger East satellite hospital)*

Response

The data that have been reported on the Joint Annual Report for many years is inclusive of volumes for various support functions to the radiation therapy program such as the CT Simulator, etc. The data reported on the Medical Equipment Registry is also understated. The correct number of Linear Accelerator treatments appears in the table below for 2012, 2013 and 2014. With this information, it may be seen that the number of treatments per patient above is not an accurate representation. For purposes of this CON application we have planned an average of 22 treatments per patient.

The table requested is below.

	Average Gross Charge Trend - EMC Radiation Therapy Service			
Year	No. of Linear Accel. Units	EMC Rad. Therapy Treatments	Average Gross Revenue	Avg. Gross Charge Per Treatment
2011	2	9,756	10,187,232	1,044
2012	2	10,134	9,856,589	973
2013	2	9,934	8,225,632	828
% Change - 2011-2013		1.8%	-19.3%	-20.7%
2014 - Estimated	2	9,559	9,595,231	1,004
2015 - Projected	2	9,747	10,079,568	1,034
Year 1	2	10,604	11,294,783	1,065
Year 2	2	11,330	12,430,119	1,097

As an explanation for the decrease in the average charge per treatment between 2011 and 2013, it should be noted that *Erlanger* monitors it's charge master file prices against comparative databases and there has been a decrease in the gross charge amounts for radiation therapy services. Some of the hospitals in this benchmark data set have seen a decrease in the prices for radiation therapy services.

16.) Section C, Economic Feasibilty, Questions 6. A and B.

Item 6.A - Please respond to this question specific to the proposed linear accelerator service. In your response, please identify fees for specialized procedures for this service such as IMRT.

Item 6.B - Please also compare the proposed Gross Charges per Treatment by quartiles for using the following table:

Gross Charges per Procedure/Treatment
By Quartiles
YEAR = 2013

Equipment Type	1st Quartile	Median	3rd Quartile
Linear Accelerator	$913.94	$1,113.33	$1,521.69
Source: Medical Equipment Registry – 9/25/2014			

Response

Item 6.A

The list of patient charges for the radiation therapy service at *Erlanger Medical Center* is attached to this supplemental information. It is expected that these same charges will be applicable to the radiation therapy service at *Erlanger East Hospital*. Applicant does revise it's patient charge structure on a periodic basis (i.e.- usually annually) during the budget cycle each fiscal year. However, applicant does not anticipate any changes to existing patient charges specifically as a result of this project.

Item 6.B

The comparison of the average gross charge per treatment for 2013 is below.

Radiation Therapy Charge Quartile Placement For 2013

Facility	Avg. Price Per Proc.	Quartile Placement
Erlanger Medical Center	840	1st Quartile
Memorial Hospital	1,494	3rd Quartile
Parkridge Medical Center	1,458	3rd Quartile

17.) Section C, Economic Feasibility, Question 7.

Please also respond to this question specific to the proposed Radiation Therapy service.

Response

As demonstrated by the *Projected Data Charts* submitted with this CON application, the radiation therapy service at *Erlanger* has a positive financial result in both year 1 and year 2 after implementation of the project. The project will be financially feasible and cost effective.

18.) Section C, Economic Feasibility, Item 9.

It appears the combined amount of projected gross operating revenue for Medicare and TennCare is approximately 55.6% of total projected gross revenue in Year 1. Please identify the dollar amount and percentage of total projected gross operating revenue anticipated by each payor source for Year 1 of EMC's radiation therapy service in the table below (*note: the projected payor mix should be based on 2 units in operation -1 at EMC's main campus & 1 at Erlanger East*).

EMC's Radiation Therapy Service Payor Mix, Year 1

Payor Source	2014 EMC Gross Revenue (as a % of total)	Year 1 EMC Projected Gross Revenue (as a % of total)
Medicare		
Tenncare		
Managed care		
Commercial		
Self-Pay		
Other		
Total		

Please indicate how medically indigent patients will be served by the project. In your response, please identify the number of patients or procedures to be provided as charity in Year 1 of the project.

Response

The table requested is below.

EMC's Radiation Therapy Service Payor Mix - Year 1

Payor Source	2014 EMC Gross Revenue (As % Of Total)	Year 1 EMC Projected Gross Revenue (As % Of Total)
Medicare	52.2%	43.1%
TennCare	12.6%	12.4%
Managed Care	11.5%	15.3%
Commercial	17.2%	22.6%
Self-Pay	2.0%	2.2%
Other	4.5%	4.4%
Total	100.0%	100.0%

The number of radiation therapy procedures for charity care in year 1 is estimated to be approximately 180. Of the 217 patients that originate from East of Chattanooga, approximately 8 are estimated to be medically indigent and they will be served as any other patient, regardless of ability to pay.

19.) Section C, Economic Feasibility, Items 10 and 11.

Item 10 – in comparing the Historical Data Chart to the Operating Statement on page A-107, it appears there is a difference of approximately $19 million in Net Operating Revenue for the period ending June 30, 2014 indicating that the applicant's net operating income may be overstated for the period. Please explain by discussing what accounts for the differences between the financial performance data.

Item 11- Given the average utilization of EMC's 2 existing units at approximately 50% or less of the optimal utilization for linear accelerators coupled with Erlanger East's close proximity to EMC's main campus (less than 10 miles) please discuss why simply replacing the outdated unit at the main hospital may not be a practicable alternative.

Response

The net operating revenue between the Historical Data Chart and the audited financial statements is reconciled below.

Historical Data Chart	$ 618,531,945
Audited Financial Statements	591,982,596
Difference	$ 26,549,349
Contin-U-Care Home Health	$ 26,429,529
CyberKnife Change In Net Position *(51% - Equity Method Of Acounting)*	119,820
Total - Reconciling Items	$ 26,549,349

The issue of access is more than a question of simple distance. While the distance is less than 10 miles, the actual time to drive that distance is approximately 23-25 minutes. This time is prohibitive to some patients who must make this journey over the course of 6 weeks, or more. Further, the radiation therapy center at Erlanger East Hospital is planned to be part of a full service cancer treatment center that can provide concomitant therapy (i.e.-both chemotherapy and radiation therapy) to those patient who need such intervention.

20.) Section C, Contribution To Orderly Development, Items 1 and 3.

Item 1 - The list of transfer agreements in Attachments A-24 through A-27 is noted. However, some agreements for approximately 5 providers expired within the last 90 days. Please clarify the status with these providers.

Item 3 - Please provide the proposed staffing pattern for all employees of EMC's radiation therapy service in Year 1 of the project and compare to the staff salaries/prevailing wage patterns of similar personnel in the service area. Also, please provide the reference for the area wide wages.

Position Title	FTEs Main Campus	Proposed FTEs Erlanger East	Total FTES	Average Wage	Area-wide Average Wage
Total					

Response

A current list of patient transfer agreements is attached to this supplemental information.

The proposed staffing pattern for both radiation therapy locations in year 1 of the project, is as follows.

EMC's Radiation Therapy Service - Staffing					
Position	FTE's Main Campus	Proposed FTE's Erlanger East	Total FTE's	Average Wage	Area-Wide Average Wage
Unit Admin. Assistant	2	2	4	13.77	12.81
Ph.D. - Medical Physicist	1		1	99.87	88.85
Doimetrist, Certified	2	1	3	54.18	49.60
Radiation Technologist	2	2	4	24.99	32.83
Simulator Technologist	1	1	2	34.85	32.83
Dietician, Clinical	1		1	18.87	25.00
Physicist		1	1	73.23	78.38
Radiation Therapist, Lead	1		1	30.99	32.76
RN - Staff Nurse	1	1	2	24.95	28.02
Total	11	8	19		

** NOTES - The source of the market area wage rates is from the 2014 Hay Group Salary Survey.

21.) Section C, Contribution To Orderly Development, Item 7.c.

There was no plan of correction for the deficiencies noted in the 5/13/2014 survey by TDH, nor was there a copy of an acceptance letter submitted as noted in the application. Please explain.

Response

A copy of the updated survey along with the *Plan of Correction* is attached to this supplemental information.

22.) Section C, Orderly Development, Item 8.

The applicant has responded N/A to items 8 and 9. Please provide a narrative response addressing the question.

Response

Item 8

As the *Chattanooga-Hamilton County Hospital Authority* is a governmental unit of the *State of Tennessee*, there are not any individual owners of the hospital. As such, this question is not applicable.

Item 9

As the *Chattanooga-Hamilton County Hospital Authority* is a governmental unit of the *State of Tennessee*, there are not any individual owners of the hospital. As such, this question is not applicable.

23.) Outstanding Project Update.

A brief two to three sentence update will be appreciated regarding the progress on the implementation of the following projects:

CN1307-027A –initiation & acquisition of PET/CT unit at EMC main campus
CN1207-034A-Renovation, upgrade and modernization of adult operating rooms and addition of 4 ORs
CN0405-047A – Erlanger East Expansion
CN1012-056A.- Erlanger North Conversion of 30 acute care beds to 30 skilled nursing beds & initiation of skilled nursing services

Please include where the project currently stands (i.e., what phase) in the implementation process, when the projected is expected to be completed and the expiration date of the Certificate of Need.

Response

CN1307-027A - We have reported to HSDA that this project is complete. We are preparing to file a completion report. The CON expires December, 2016.

CN1207-034A - We have reported to HSDA that this project has been under continuous construction since approved. No budget issues are contemplated at this time and we expect to complete the project prior to expiration of the CON. The CON expires November 1, 2015.

CN0405-047A - We received approval to extend this project from HSDA until 2016. We provided documentation that financing is complete. Plans are in process of being finalized for the next phase of work. We expect to complete the project in November, 2016. This CON expires December, 2016.

CN1012-56A - We reported to HSDA that we identified a cost effective alternative to implementation of the project and returned the CON to HSDA. The CON expired November 1, 2014. The CON was returned to HSDA on August 19, 2014.

SUPPLEMENTAL #1
December 18, 2014
10:15 am

A F F I D A V I T

STATE OF TENNESSEE |
|
COUNTY OF HAMILTON |

NAME OF FACILITY Erlanger Medical Center

I, Joseph M. Winick, after first being duly sworn, State under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

SIGNATURE

SWORN to and subscribed before me this 16 of December (Month), 2014 (Year), a Notary Public in and for the State of Tennessee, County of Hamilton.

Shelia Hall
NOTARY PUBLIC

My commission expires June 9 (Month / Day), 2018.

SHELIA HALL
STATE OF TENNESSEE NOTARY PUBLIC
HAMILTON COUNTY

SUPPLEMENTAL #1
December 18, 2014
10:15 am

TABLE OF ATTACHMENTS

SUPPLEMENTAL #1
December 18, 2014
10:15 am

** NOTE – The attachments are paginated and the page number begins with "A". The page number appears in the upper right hand corner of the page.

SUPPLEMENTAL #1

December 18, 2014
10:15 am

ATTACHMENTS

"WE'VE HAD PRODUCTIVE DISCUSSIONS AND WE'RE OPTIMISTIC THAT WE'LL BE ABLE TO REACH AN AGREEMENT."

–ERLANGER VICE PRESIDENT OF PAYER RELATIONS STEVE JOHNSON

UnitedHealthcare, Erlanger upbeat on solving contract disagreements

BY KATE HARRISON BELZ
STAFF WRITER

UnitedHealthcare and Erlanger Health System may be showing signs of holiday cheer. The icy standoff between the insurer and the hospital may be thawing.

After a months-long standoff and a week of negotiations, the insurer and the hospital struck an upbeat tone about their likelihood of reaching an agreement on both their TennCare insurance contract, which was terminated in October, and their commercial contract, which was set to expire at the end of this month.

"We continue to make progress on a renewed contract with Erlanger and are optimistic we will be able to continue their participation in our network," United spokesman Daryl Richard said.

Erlanger vice president of payer relations Steve Johnson struck a similar note. "We've had productive discussions and we're optimistic that we'll be able to reach an agreement," he said.

The words are a stark change in tone for both parties. Erlanger has repeatedly said that United offered "unreasonably" low rates, and that the insurer has a history of payment problems. United, meanwhile, has said the hospital walked away from fair offers.

The stalemate has caused turmoil for families on TennCare, and for employers unsure about whether their employees would have access to the area's largest hospital after the first of the year.

The tidings of a potential reunion are welcome to people like Soddy-Daisy resident Amy Skiles, 27, who launched a social media campaign decrying the fact that she and her two children have not been able to get much-needed care.

Skiles and her children, ages 10 and 11, are on TennCare's UnitedHealthcare plan. The mother has back problems, one of her children has epilepsy and another needs foot surgery. But none can be treated by their

See CONTRACT › A4

Contract

› CONTINUED FROM A1

doctors or by the region's only children's hospital, T.C. Thompson Children's Hospital at Erlanger, because the hospital is no longer in United's TennCare network.

"No one should have to worry about their children's access to health care like this," Skiles said. She has posted complaint after complaint to the insurer's Facebook page.

Dr. Pete Kelley, a pediatric surgeon with University Surgical Associates, said doctors in his practice have had to refer patients to hospitals in Nashville and Knoxville for treatments they should have been able to get at Erlanger.

But he said he understands Erlanger's position. University Surgical has been embroiled in its own tense negotiations with United after deciding to terminate all contracts with the insurer this fall.

"I would like to be able to see any patient, I would like for them to be able to go to any hospital. But I know Erlanger has to look out for its financial viability," Kelley said. "I would hope they could come to terms about United, but I understand if they can't. We still have our own issues with them."

While Skiles said she is encouraged by the possibility of a breakthrough, she is going to continue fighting for access to the hospital until her family and other families see it restored.

"Until this is rectified, I will continue to make our voices heard," Skiles said.

Contact staff writer Kate Harrison Belz at kbelz@timesfreepress.com or 423-757-6673.

UnitedHealthcare, Erlanger tout new partnerships

December 11th, 2014 by Kate Harrison Belz in Business Read Time: 1 min.

As the standoff between Erlanger Health System and UnitedHealthcare continues, both are turning to an age-old breakup ploy: Bragging about their new partners.

On Wednesday, United touted an "expanded" partnership with Erlanger's rival CHI Memorial Health Care System.

The new partnership means Memorial will now be in-network for patients who have Medicaid and Dual Eligible Special Needs Plans through United. People with United coverage that is employer-sponsored, individual or Medicare Advantage already had access to Memorial.

Meanwhile, Erlanger has lauded its own new partnership with United's competitor,

Amerigroup, which will add Erlanger to its TennCare and Medicare Advantage networks starting Jan. 1.

Erlanger went out of network with United's Medicaid plan in October. Hospital officials claimed they had to take a stand after United made a pattern of offering unfair reimbursement rates.

Meanwhile, United has said that Erlanger has refused a fair deal, and is holding patients hostage in its negotiations.

The hospital has said that if an agreement about the Medicaid reimbursements cannot be made, that it will terminate its commercial contracts with United as well. That contract is set to expire Dec. 31 if the two parties do not reach an agreement, which could impact thousands in the Chattanooga area whose employers area offer United insurance.

The feud has been especially disruptive for families with children, as Erlanger is the area's only children's hospital, and for older patients who are insured through TennCare CHOICES supplemental insurance, like a program offered through the AARP.

In statements about their respective new partnerships, both Erlanger and United made the point to praise the "collaborative" and "fair" natures of their new partners.

"CHI Memorial has been a collaborative network partner and is an important, local provider of health care services," Rita Johnson-Mills, president of UnitedHealthcare's Community Plan in Tennessee, said in a prepared statement.

Meanwhile, Erlanger CEO Kevin M. Spiegel said of the agreement with Amerigroup: "In this rapidly changing healthcare environment, fair partnerships with insurance companies are vital to sustaining high-quality, cost-effective care."

Contact staff writer Kate Harrison Belz at kbelz@timesfreepress.com or 423-757-6673.

Read next article

Covenant boosts earnings outlook

Square Footage & Cost Per Square Footage Chart

A. - Unit / Department	Existing Location	Existing SF	Temporary Location	Proposed Final Location	= Proposed Final Square Footage = Renovated	New	Total	== Proposed Final Cost Per SF === Renovated	New	Total
Inpatient Pharmacy	Ground Floor - Women's POB	1,200		2nd Floor - POB 2	1,200	0	1,200	99.00	0.00	118,800
Outpatient Pharmacy	Ground Floor - Women's POB	1,600		2nd Floor - POB 2	1,600	0	1,600	93.50	0.00	149,600
Erlanger East Radiation Therapy Center				Ground Floor - Women's POB	5,220	2,176	7,396	156.54	1,002.00	2,997,500
B. - Unit/Dept. GSF - Sub-Total										
C. - Mechanical/Electrical GSF					Included	Included				
D. - Circulation/Construction GSF					Included	Included				
E. - Total GSF		2,800			8,020	2,176	10,196	1,085,548	2,180,352	3,265,900

SUPPLEMENTAL #1
December 18, 2014
10:15 am

PROJECT COST CHART

A.	**Construction And Equipment Acquired By Purchase.**	
1.	Architecural And Engineering Fees	181,542
2.	Legal, Administrative, Consultant Fees (Excluding CON Filing Fees)	0
3.	Acquisition Of Site	0
4.	Preparation Of Site	0
5.	Construction Costs	3,265,900
6.	Contingency Fund	525,822
7.	Fixed Equipment (Not Included In Construction Contract)	5,215,270
8.	Moveable Equipment (List all equipment over $ 50,000)	135,823
9.	Other (Specify) Technical, Signage, Environmental, etc.	1,184,560
B.	**Acquisition By Gift, Donation, Or Lease.**	
1.	Facility (inclusive of building and land)	0
2.	Building Only	0
3.	Land Only	0
4.	Equipment (Specify) _____	0
5.	Other (Specify) _____	0
C.	**Financing Costs And Fees.**	
1.	Interim Financing	0
2.	Underwriting Costs	0
3.	Reserve For One Year's Debt Service	0
4.	Other (Specify) _____	0
D.	Estimated Project Cost (A + B + C)	10,508,917
E.	CON Filing Fee	23,645
F.	Total Estimated Project Cost (D + E)	10,532,562

ERLANGER EAST HOSPITAL

[Approximately 26.8 Acres]

SUPPLEMENTAL #1

December 18, 2014 A – 7

10:15 am

Criteria For Construction, Renovation, Expansion & Replacement Of Health Care Institutions

1.) **Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.**

Response

Any applicable specific standards were addressed in the CON application.

2.) **For relocation or replacement of an existing licensed health care institution:**

a.) **The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.**

b.) **The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.**

Response

These criteria are not applicable because we are not relocating or replacing an existing licensed health care institution.

3.) **For renovation or expansions of an existing licensed health care institution:**

a.) **The applicant should demonstrate that there is an acceptable existing demand for the proposed project.**

Response

Erlanger Medical Center has a need to replace a seventeen (17) year old Linear Accelerator and relocate it to *Erlanger East Hospital* to foster ease of patient access. The relocated Linear Accelerator will be part of a

satellite cancer center which already provides service at *Erlanger East Hospital*. With the implementation of this project the Oncology Department at *Erlanger East Hospital* will be a full service provider of Oncology services.

The relocation of the Linear Accelerator is justified because an analysis of patient origin for the Radiation Oncology service at *Erlanger Medical Center* shows that of the 482 patients served in 2013, 349 patients (i.e. 72.4%) originated from 10 counties in Southeast Tennessee as well as some counties in Northeast Alabama, Northwest Georgia and Southwest North Carolina. Further, the analysis shows that 217 patients originated from points East of Chattanooga and the remaining 265 patients originated from points West of Chattanooga. The relocation of the Linear Accelerator to *Erlanger East Hospital* will provide better access to this service for patients due to its better proximity in that geography.

Following is a table which outlines the patient origin for the radiation therapy service at *Erlanger Medical Center* in 2013.

EHS – Radiation Oncology Service
Patient Origin - 2013

	Total Erlanger	% EHS Pt. Origin	East Of Chattanooga	% Of Total
Hamilton County, TN	231	47.9%	97	44.7%
Bradley County, TN	28	5.8%	28	12.9%
Marion County, TN	18	3.7%		0.0%
Grundy County, TN	4	0.8%		0.0%
Sequatchie County, TN	18	3.7%		0.0%
Bledsoe County, TN	7	1.5%		0.0%
Rhea County, TN	26	5.4%		0.0%
Meigs County, TN	5	1.0%		0.0%
McMinn County, TN	5	1.0%	5	2.3%
Polk County, TN	7	1.5%	7	3.2%
Other	133	27.7%	80	36.9%
Total - EHS	482	100.0%	217	100.0%

We expect that there will be an average of 22 radiation treatments per patient with the following volumes.

Year	No. Patients	No. Treatments

1	225	4,950
2	250	5,500
3	265	5,830
4	285	6,270
5	305	6,710

A map showing the primary and secondary service areas was provided with the CON application.

b.) The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

Response

The physical plant at *Erlanger East Hospital* does not currently have a vault and shielding necessary for a Linear Accelerator, therefore, this infrastructure must be added to support the proposed radiation therapy service.

[End Of Responses To Criteria For Construction, Renovation, Expansion & Replacement Of Health Care Institutions – 2000, page 23.]

Erlanger Health System -- Other Expenses

		2012	2013	2014
Purchased Services		102,702,749	111,584,374	114,459,641
Utilities		9,757,309	9,736,115	10,012,328
Drugs		32,551,755	32,921,513	39,370,552
Insurance and Taxes		4,467,158	2,198,654	2,723,124
Purchased Services		**102,702,749**	**111,584,374**	**114,459,641**
620142	Restricted Fund Expense	237,126	76,633	117,502
620252	Physician Fees	20,113,740	20,510,257	20,661,564
620302	Consulting	1,668,100	8,018,102	1,421,495
620322	Legal Fees	1,869,626	2,393,527	3,057,657
620332	Audit Fees	211,360	194,406	189,312
620352	Architect & Eng Fees	123,174	182,585	360,654
620492	Time & Mat Contract	3,659,430	3,023,421	4,101,893
620502	Dietary	516,296	621,402	685,028
620522	Unscheduled Maint	3,374,335	4,687,799	5,182,758
620010	Plz Surgery Minority Interesy	-149,843		
620523	CUC Delivery/Vehicle Expense	31,248	32,607	17,732
620532	Advertising	2,198,138	2,555,479	2,490,627
620542	Purchased Services	31,214,122	29,055,253	31,846,157
620562	Purchased Maint	3,908,269	3,220,291	4,115,060
620572	Freight Charges	275,027	314,512	293,794
620573	CUC Penalties	2,561	1,425	
620574	CUC Late Fees	2,000	4,971	7,378
620582	Collection Fees	162,324	738,913	904,813
620602	Lab Outside Fees	3,709,926	3,205,690	3,257,673
620622	Computer Services	4,501,692	4,970,519	5,156,385
620682	Micro Maint	95,567	74,128	60,533
620692	Equipment Rental	3,246,154	3,033,690	3,605,722
620792	Contracted Services	15,797,297	18,663,071	20,802,740
620892	Membership & Dues	1,398,184	1,167,871	948,989
620902	Special Classes	10,365	27,957	45,251
620912	Licenses & Fees	1,175,538	1,281,524	1,379,705
620922	Development Costs	45,716	176,338	406,179
620932	Professional Education	1,059,982	1,045,961	1,161,763
620933	CUC Meals & Entertainment	9,910	11,491	1,291
620952	Local Travel	315,197	323,282	287,345
620953	CUC Field Trip Expense	9,764	12,657	23,799
620982	Business Courtesy	34,226	44,274	13,444
621182	Asbestos Expense	31,350	128,761	63,639
621202	Recruiting	634,222	670,202	824,569
621272	Resident Education	311,609	295,055	295,284
621532	Public Relations	474,619	487,507	271,427
621972	Patient parking	186,556	217,813	213,034
622002	Med/Prof Housing Expense	237,841	115,000	187,444
Utilities		**9,757,309**	**9,736,115**	**10,012,328**
640702	Billed Utilities	-412,326	-461,257	-576,458
640712	Electricity	6,111,788	5,927,593	6,124,308
640722	Gas	1,552,861	1,559,592	1,848,971
640732	Water	1,050,175	1,136,971	1,195,584
640742	Oil	10,816	6,450	19,507
640752	Storm Water Fees	53,048	39,551	43,267
640882	Telephone	1,390,947	1,527,215	1,357,149
Drugs		**32,551,755**	**32,921,513**	**39,370,552**
630403	Drugs	32,551,755	32,921,513	39,370,552
Insurance and Taxes		**4,467,158**	**2,198,654**	**2,723,124**
670847	Self Insurance Expense	1,686,257	952,825	704,755
670857	Insurance	2,695,711	1,207,188	1,971,569
680878	CUC Taxes - Sales	11,966	629	178
680880	Gross Receipts Tax	73,224	38,012	46,622

PROJECTED DATA CHART

Give information for the last *three (3)* years for which complete data are available for the facility or agency. The fiscal year begins in ___July___ (Month).

		Year 1	Year 2
A.	Utilization Data (Specify Unit Of Measure) Treatments	10,604	11,330
B.	Revenue From Services To Patients		
	1. Inpatient Services		
	2. Outpatient Services	12,672,270	13,821,266
	3. Emergency Services		
	4. Other Operating Revenue		
	Gross Operating Revenue	12,672,270	13,821,266
C.	Deductions From Operating Revenue		
	1. Contractual Adjustments	8,701,413	9,550,115
	2. Provision For Charity Care	128,366	140,887
	3. Provision For Bad Debt	339,254	372,344
	Total Deductions	9,169,033	10,063,346
	NET OPERATING REVENUE	3,503,237	3,757,920
D.	Operating Expenses		
	1. Salaries And Wages	1,471,790	1,525,760
	2. Physician's Salaries And Wages		
	3. Supplies	51,234	55,483
	4. Taxes		
	5. Depreciation	1,554,881	1,580,689
	6. Rent		
	7. Interest - Other Than Capital		
	8. Management Fees:		
	a. Fees To Affiliates		
	b. Fees To Non-Affiliates		
	9. Other Expenses (Specify) Service Contracts	218,338	575,584
	Total Operating Expenses	3,296,243	3,737,516
E.	Other Revenue (Expenses) – Net (Specify) _____		
	NET OPERATING INCOME (LOSS)	206,994	20,404
F.	Capital Expenditures		
	1. Retirement Of Principal		
	2. Interest		
	Total Capital Expenditures		
	NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES	206,994	20,404

** NOTE – *Erlanger Health System* Radiation Therapy Program.

Charge Code	Description	CPT Code	Primary Price
40000046	B 6-10 MEV-COMPLEX TREATMENT	77415	575.02
40000051	B 6-10 MEV-INTERM TREATMENT	77408	445.00
40000069	B 6-10 MEV-SIMPLE TREATMENT	77403	382.00
40000077	C 11-19 MEV-COMPLEX TREATMENT	77414	575.00
40000085	C 11-19 MEV-INTERM TREATMENT	77409	445.00
40000093	C 11-19 MEV-SIMPLE TREATMENT	77404	382.00
40000101	D >=20 MEV-COMPLEX TREATMENT	77416	575.00
40000119	D >=20 MEV-INTERM TREATMENT	77411	445.00
40000127	D >=20 MEV-SIMPLE TREATMENT	77406	382.00
40000135	TX DEVC BLOCK-COMPLEX	77334	818.00
40000143	TX DEVC BLOCK-INTERM	77333	628.00
40000150	TX DEVC BLOCK-SIMPLE	77332	628.00
40000192	TX DEVC-SPECIAL-INTERMEDIATE	77333	628.00
40000226	DOSIMETRY-BASIC	77300	404.00
40000259	DOSIMETRY-TLD	77331	393.00
40000267	TX DEVC - IMMOBLIZATION	77334	818.00
40000275	INTERSTL APPL-COMPLEX	77778	2790.00
40000283	INTERSTL APPL-INTERMEDIATE	77777	2698.00
40000291	INTERSTL APPL-SIMPLE	77776	2698.00
40000309	INTRACAV APPL-COMPLEX	77763	1125.00
40000317	INTRACAV APPL-INTERMEDIATE	77762	1125.00
40000325	INTRACAV APPL-SIMPLE	77761	1125.00
40000333	ISOPLAN BRACHY-COMPLEX	77328	1626.00
40000341	ISOPLAN BRACHY-INTERMED	77327	1354.00
40000358	ISOPLAN BRACHY-SIMPLE	77326	1084.00
40000366	ISOPLAN TELE-COMPLEX	77315	1061.00
40000374	ISOPLAN TELE-INTER	77310	729.00
40000382	ISOPLAN TELE-SIMPLE	77305	581.00
40000390	ISOPLAN TELE-SPECIAL	77321	1122.00
40000408	LOCALIZATION FILM	77417	139.00
40000416	OCULAR THERAPY	77789	52.00
40000424	PHYSICS-CONT. RADIATION	77336	451.00
40000432	PHYSICS-SPEC. CONSULT	77370	528.00
40000440	SIMULATION, COMPLEX	77290	1682.00
40000457	SIMULATION, INTERMEDIATE	77285	1357.00
40000465	SIMULATION, SIMPLE	77280	864.00
40000606	BRACHYTHERAPY HANDLING	77790	276.00
40000671	SIM-3-D GUIDED	77295	7282.00
40000689	SPECIAL-BRACHYTHERAPY	77470	1548.00
40000697	SPECIAL-COMBINATION RT/CHEMO	77470	1548.00
40000705	SPECIAL-CONFORMAL MANAGEMENT	77470	1548.00
40000721	SPECIAL-HYPERFRACTIONATION	77470	1548.00
40000747	SPECIAL-STEREOTACTIC RADIOSURG	77470	1548.00
40000754	SPECIAL-TIME CONSUMING PROCEDU	77470	1548.00
40000788	CT GUIDANCE,RAD THERP FLDS	77014	1360.00
40000804	OMNIPAQUE 240	Q9966	4.30
40000820	OUTPATIENT VISIT LEVEL 1 - NEW	99201	135.00
40000838	OUTPATIENT VISIT LEVEL 2 - NEW	99202	178.00
40000846	OUTPATIENT VISIT LEVEL 3 - NEW	99203	245.00
40000853	OUTPATIET VISIT LEVEL 4 - NEW	99204	360.00
40000861	OUTPATIENT VISIT LEVEL 5 - NEW	99205	443.00

Charge Code	Description	CPT Code	Primary Price
40000879	OUTPATIENT VISIT LEVEL 1 - EST	99211	135.00
40000887	OUTPATIENT VISIT LEVEL 2 - EST	99212	178.00
40000895	OUTPATIENT VISIT LEVEL 3 - EST	99213	245.00
40000903	OUTPATIENT VISIT LEVEL 4- EST	99214	360.00
40000911	OUTPATIENT VISIT LEVEL 5 - EST	99215	443.00
40001067	IODINE-125 NON STRND BRACHY SD	C2639	0.00
40001083	HDR AFTERLOAD 2-12 CHANNELS	77786	1948.00
40001117	PLANNING IMRT	77301	4287.00
40001125	DELIVERY DOSE IMRT	77418	2215.00
40001133	HDR AFTERLOAD >12 CHANNELS	77787	1948.00
40001141	SRS TREATMENT DELIVERY	77372	6938.00
40001166	VAGINAL RADIOGRAPHIC MARKER		25.00
40001174	RECTAL RADIOGRAPHIC MARKER		25.00
40001224	ECHO GUIDANCE RAD FIELDS	76950	108.00
40001240	BRACHY CATHETERS	C1728	168.00
40001265	BRACHTHERAPY SOURCE HDR IR 192	C1717	556.00
40001299	CT GUIDED LOC STEREO	77011	856.00
40001307	INS UTERINE TNDM/VAGINAL OVOID	57155	930.00
40001315	HDR AFTERLOAD 1 CHANNEL	77785	1621.00
40001323	MLC DEVICE(S) IMRT TX	77338	606.00
40001331	INS VAG RAD AFTLD APPARATUS	57156	537.00
40010019	GLUCOSE FINGER STICK	82962	40.00
40010027	VENOUS PHLEBOTOMY FEE	36415	20.00
40010035	TRANSFUSION BLOOD OR BLD COMP	36430	552.00
40010043	STEREOTACTIC XR GUIDANCE	77421	316.00
40010050	SBRT/FX 1 OR GRTR INC IMG GUID	77373	3313.00
40010068	RESP MOT MGMT SIMUL ADD ON	77293	863.00

Vendor (Other Party)	Contract No.	Contract Type	Effective Date	Expiration Date
Alexian Village of Chattanooga	2002.1670C	Patient Transfer Agreement	1/1/1995	Evergreen
Bledsoe Community Medical Center	2002.1430C	Patient Transfer Agreement	6/27/2012	6/26/2015
Blount Memorial Hospital	2002.1685C	Patient Transfer Agreement	2/7/2001	Evergreen
Brookewood Medical Center	2002.1389C	Patient Transfer Agreement	6/27/2012	6/26/2015
Chattanooga Kidney Centers, LLC and Chattanooga Kidney Centers 58, LLC and Chattanooga Kidney Centers North, LLC and Kidney Center of Missionary Ridge	2002.4023C	Patient Transfer Agreement	10/10/2011	10/9/2015
Chattanooga Rehabilitation Hospital	2002.2854C	Patient Transfer Agreement	7/25/2012	7/24/2015
Columbia East Ridge Hospital	2002.1715C	Patient Transfer Agreement	3/31/1998	Evergreen
Columbia Indian Path Medical Center	2002.1714C	Patient Transfer Agreement	1/13/1997	Evergreen
Continuum Care Corporation d/b/a Spring City Health Care Center	2002.1390C	Patient Transfer Agreement	2/1/1999	Evergreen
Cookeville Regional Medical Center	2002.1483C	Patient Transfer Agreement	2/10/2010	Evergreen
Dialysis Clinic, Inc	2002.1508C	Patient Transfer Agreement	3/23/1998	Evergreen
East Ridge Hospital	2002.1716C	Patient Transfer Agreement	10/22/1996	Evergreen
East Tennessee Regional Hospitals	2002.6387C	Patient Transfer Agreement	10/10/2014	Evergreen
Erlanger Bledsoe	2002.1461C	Patient Transfer Agreement	10/1/2001	Evergreen
Eye Surgery Center of Chattanooga	2002.4833C	Patient Transfer Agreement	10/23/2014	Evergreen
Fannin Regional Hospital	2002.2704C	Patient Transfer Agreement	6/18/2012	6/17/2015
Fort Sanders Park West Medical Center	2002.1539C	Patient Transfer Agreement	10/22/1999	Evergreen
Ft Oglethorpe Nursing Home	2002.1540C	Patient Transfer Agreement	1/12/2012	1/11/2015
Gordon Hospital	2002.2830C	Patient Transfer Agreement	7/1/2012	Evergreen
Harbin Clinics LLC	2002.4420C	Patient Transfer Agreement	10/16/2012	10/15/2015
Healthsouth Chattanooga Surgery Center	2002.1766C	Patient Transfer Agreement	4/13/1999	Evergreen
Highlands Medical Center	2002.2777C	Patient Transfer Agreement	4/25/2012	12/31/2014
Jamestown Regional Medical Center, f/k/a Fentress County Hospital	2002.1750C	Patient Transfer Agreement	5/14/2012	Evergreen
Jefferson Memorial Hospital	2002.1321C	Patient Transfer Agreement	10/22/2004	Evergreen
Johnson City Medical Center	2002.1550C	Patient Transfer Agreement	5/29/2002	Evergreen
Kindred Hospital	2002.707C	Patient Transfer Agreement	10/1/2001	Evergreen
LaFayette Health Care	2002.1317C	Patient Transfer Agreement	1/31/1995	Evergreen
Life Care Center of Chattanooga	2002.1576C	Patient Transfer Agreement	1/25/1995	Evergreen
Life Care Center of Collegedale	2002.1292C	Patient Transfer Agreement	1/1/1995	Evergreen
Life Care Center of Red Bank	2002.1294C	Patient Transfer Agreement	1/1/1995	Evergreen
Marshall Medical Center North	2002.1293C	Patient Transfer Agreement	2/1/2000	Evergreen
Medical Center of Manchester	2002.2700C	Patient Transfer Agreement	4/19/2012	4/18/2015
Methodist Medical Center	2002.1388C	Patient Transfer Agreement	2/6/2002	Evergreen
Mountain Creek Manor	2002.1336C	Patient Transfer Agreement	1/20/1995	Evergreen
Murphy Medical Center	2002.1337C	Patient Transfer Agreement	4/1/2000	Evergreen
National Health Care of Athens	2002.1608C	Patient Transfer Agreement	5/15/2012	Evergreen
National Health Care of Fort Oglethorpe	2002.1606C	Patient Transfer Agreement	5/22/2012	Evergreen

Vendor (Other Party)	Contract No.	Contract Type	Effective Date	Expiration Date
National Health Care of Rossville	2002.1605C	Patient Transfer Agreement	5/17/2012	Evergreen
National Healthcare of Dunlap	2002.1607C	Patient Transfer Agreement	6/20/2012	6/19/2015
North Jackson Hospital	2002.1599C	Patient Transfer Agreement	2/1/2000	Evergreen
Northside Hospital	2002.1342C	Patient Transfer Agreement	4/10/1992	Evergreen
NovaMed Eye and Laser Surgery, Center of	2002.1717C	Patient Transfer Agreement	6/27/2002	Evergreen
Parkridge Medical Center	2002.4267C	Patient Transfer Agreement	5/18/2012	Evergreen
Physician Surgery Center of Chattanooga	2002.4234C	Patient Transfer Agreement	4/2/2012	Evergreen
Redmond Regional Medical Center	2002.2697C	Patient Transfer Agreement	1/17/2012	1/16/2015
Renaissance Rehabilitation	2002.1363C	Patient Transfer Agreement	4/26/1990	Evergreen
Renaissance Surgery Center	2002.5425C	Patient Transfer Agreement	2/16/2012	2/15/2015
Rhea County Medical Center	2002.1636C	Patient Transfer Agreement	9/1/1989	Evergreen
Rhea Medical Center	2002.1634C	Patient Transfer Agreement	2/6/2002	Evergreen
Rivermont Convalescent Center	2002.1372C	Patient Transfer Agreement	1/25/1995	Evergreen
Scott County Hospital	2002.1498C	Patient Transfer Agreement	1/11/2001	Evergreen
Shepherd Hills Health Care Center	2002.1385C	Patient Transfer Agreement	1/25/1995	Evergreen
Shriners Hospitals for Children	2002.1623C	Patient Transfer Agreement	7/1/2000	Evergreen
Siskin Hospital for Physical Rehabilitation	2002.1650C	Patient Transfer Agreement	2/9/1990	Evergreen
St Barnabas Nursing Home	2002.1594C	Patient Transfer Agreement	1/25/1995	Evergreen
St Mary's Health System, Inc	2002.2377C	Patient Transfer Agreement	4/1/2003	Evergreen
Sweetwater Dialysis Center	2002.4290C	Patient Transfer Agreement	6/19/2009	Evergreen
Tender Loving Care	2002.1306C	Patient Transfer Agreement	1/1/1995	Evergreen
The Health Center at Standifer Place	2002.1384C	Patient Transfer Agreement	6/18/2012	6/17/2015
The University of Tennessee Medical Center	2002.1446C	Patient Transfer Agreement	5/29/2002	Evergreen
Vanderbilt University Medical Center	2002.4049C	Patient Transfer Agreement	7/1/2008	Evergreen
Wellmont Health Systems	2002.1499C	Patient Transfer Agreement	6/30/2001	Evergreen

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

PRINTED: 11/18/2014
FORM APPROVED
OMB NO. 0938-0391

Final

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	440104	A. BUILDING _____ B. WING _____	C 05/13/2014

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
ERLANGER MEDICAL CENTER	975 E 3RD ST CHATTANOOGA, TN 37403

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE
A 000	INITIAL COMMENTS On May 13, 2014, investigation of EMTALA complaint TN-33779 was completed. Erlanger Medical Center was found out of compliance with Requirements for the Responsibilities of Medicare Participating Hospitals in Emergency Cases 42 CRT Part 489.20 and 42 CFR 489.24. The administrator was notified via overnight mail on November 18, 2014 that a 90 day termination track would be imposed. The termination date is February 16, 2015.	A 000		
A2400	489.20(l) COMPLIANCE WITH 489.24 [The provider agrees,] In the case of a hospital as defined in §489.24(b), to comply with §489.24. This STANDARD is not met as evidenced by: Based on medical record review, review of facility policy, review of Medical Staff Rules and Regulations, and interview, the facility failed to provide appropriate transfers for four patients (#7, #8, #9, and #11). The findings included: Refer to A-2401 for failure to report receipt of an inappropriate transfer. Please refer to A-2402 for failure to conspicuously post signs. Please refer to A-2409 for failure to provide appropriate transfer.	A2400	A2400: 489.20(l) Compliance with 289.24 **The findings included:** This STANDARD is not met as evidenced by : based on Medical Record review, review of facility policy, review of medical staff rules and regulations, and interview, the facility failed to provide appropriate transfers for 4 patients (#7, #8, #9, and #11). **Plan of Correction Responsibility:** The Chief Medical Officer and the Chief of Emergency Medicine is responsible for the corrective action plan and ongoing compliance. **When/How Corrected:** See A2401 section and A2402 for corrective action plans. **Improvement to the Process** See A2401 section and A2402 for corrective action plans.	
A2401	489.20(m) RECEIVING AN INAPPROPRIATE TRANSFER [The provider agrees,] In the case of a hospital as	A2401	**Education:** A2401 section and A2402 for corrective action plans.	

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE — TITLE — (X6) DATE

Jan Kay CNE — Chief Nurs Executive — 12/4/14

ny deficiency statement ending with an asterisk (*) denotes a deficiency which the institution may be excused from correcting providing it is determined that ner safeguards provide sufficient protection to the patients. (See instructions.) Except for nursing homes, the findings stated above are disclosable 90 days lowing the date of survey whether or not a plan of correction is provided. For nursing homes, the above findings and plans of correction are disclosable 14 ys following the date these documents are made available to the facility. If deficiencies are cited, an approved plan of correction is requisite to continued ogram participation.

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A2401	Continued From page 1 defined in §489.24(b), to report to CMS or the State survey agency any time it has reason to believe it may have received an individual who has been transferred in an unstable emergency medical condition from another hospital in violation of the requirements of §489.24(e). This STANDARD is not met as evidenced by: Based on review of facility policy, medical record review, and interview, the facility failed to report receipt of a patient transferred in an unstable emergency medical condition from the facility's East campus (Hospital #1) to the hospital's primary location (main campus - Hospital #2), a distance of 10.2 miles, for one patient (#7) of sixteen patients reviewed. The findings included: Review of facility policy titled "Transfers...PC.074" most recently revised in February, 2012, revealed, "...To establish guidelines for transferring patient within a facility, to an alternative level of care, or to another acute care facility while assuring medically appropriate continuity of care and compliance with EMTALA (Emergency Medical Treatment and Active Labor Act) regulation...The transferring physician determines the method of patient transport and the amount of support that will be needed during transport..." Review of a policy titled "(Facility) East Emergency Services Scope of Services" revealed, "Origination Date: 3/14" and the approval date was blank, indicating it had not been approved by the Medical Staff or the Governing Body.	A2401	**A2401:** 489.20(m) Receiving an Inappropriate Transfer **The findings included:** This STANDARD is not met as evidenced by: based on Medical Record review, review of facility policy, and interview, the facility failed to report receipt of a patient transferred in an unstable emergency medical condition from the facility Erlanger East Campus (Hospital #1) to the Hospitals' primary location (Main Campus- Hospital #2), a distance of 10.2 miles, for one patient #7 of 16 patients reviewed. **Plan of Correction Responsibility:** The Chief Medical Officer and the Chief of Emergency Medicine is responsible for the corrective action plan and ongoing compliance. **When/How Corrected:** Hospital # 1 is within the Erlanger Health System; however this was not reflected in the EMTALA Transfer Policy and **is now reflected in the policy draft. A new** system wide policy was developed to reflect this language and inclusion of current EMTALA and associated State law. The draft of this policy was reviewed by the Medical Executive Committee on December 1, 2014. The committee reviewed the policy and requested additional information. The final draft will be approved by the Medical Executive Committee on January 5, 2015 . (See attachment # *1* - Draft EMTALA Transfer Policy) (See attachment # 7 – Medical Staff Executive Committee Meeting Agenda)	12/1/2014 1/5/2015

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A2401	Continued From page 2 Review of facility policy for the hospital's main campus titled "Emergency Department Scope of Services Number: EMS.280" most recently revised in March, 2010, revealed, "...An Emergency Medical Condition is defined as a medical condition manifesting itself by acute symptoms of sufficient severity such that the absence of prompt and appropriate medical attention could result in...placing the health or safety of the patient or unborn child in serious jeopardy...The following conditions are declared to be emergency conditions by statute and regulation ...pregnancy with contractions present...Evaluation, management, and treatment of patients is appropriate and expedient...Immediate evaluation and stabilization, to the degree reasonably possible, will be available for each patient who presents with an emergency medical condition...Patients are to be transported to the nearest appropriate ED (emergency department) in accordance with applicable laws, regulations, and guidelines...All transfers will comply with local, state, and federal laws..." Review of an Emergency Room Log dated April 2, 2014, revealed Patient #7 presented to the facility's East campus with complaint of Vaginal Bleeding. Medical record review of a Triage note dated April 2, 2014, revealed, "...(6:37 a.m.) Complaint: Vaginal bleeding...(6:49 a.m.) Pain level 9 (0-10)...Quality is cramping. Since yesterday...states...is a 'couple weeks pregnant'...had a miscarriage in Jan (January) LMP (Last Menstrual Period): 11-15-2013 (history of five pregnancies, three delivered pregnancies)..."	A2401	**The Emergency Services Scope of Services policies (EMS #280 and EEED #7174.100) were reviewed and approved to include documentation of approval by the Chief of Emergency Medicine, and revision of the staffing model for Erlanger Baroness Campus. These policies are departmental policies that are required by all departments explaining the scope of the services the department provides, staffing for the department, special equipment and procedures. (See attachment #2 and #10.)** 11/24/2014 A new transfer form was developed and was approved by the Health Information Management Forms Committee on 11/24/14. It was sent to the Print Shop for print and will be ready for distribution by 12/5/2014. 12/5/2014 (See attachment #4) **Education:** **Education will be provided to all emergency staff on the new policy updates (EMTALA Transfer policy, EMTALA-Provision of On Call Coverage Policy , the new EMTALA Transfer Form and the education al power point presentation). This mandatory education will be distributed in notebooks to each Emergency Departments in the Erlanger Health System. All emergency department staff including physician and physician extenders will be required to read and acknowledge by signature understanding of the new policies and processes by December 31, 2014.** 12/31/2014	

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A2401	Continued From page 3 Medical record review of a history and physical dated April 2, 2014, at 7:14 a.m., revealed, "pt (patient) w/ (with) abd (abdominal) pain. lmp (last mentrual period) 11/5/13. thought she had miscarriage in January due to heavy bleeding and passing tissue. Was told last week that she is pregnant again. now having severe cramps. had some light bleeding past 2 days. today no bleeding but severe cramps. vomit x (times) 2. no diarrhea. no urinary sx (symptoms). no fever...Sudden onset of symptoms, Symptoms are worsening, are constant. Maximum severity of symptoms severe, Currently symptoms are severe. In my professional medical judgment...this patient presents with an emergency medical condition manifesting itself by acute symptoms of sufficient severity (including severe pain) that in the absence of immediate medical attention could reasonably be expected to result in placing the patient's health in serious jeopardy; serious impairment to bodily function, or serious dysfunction of a body organ...(7:18 a.m.) Abdominal exam included findings of abdomen tender, to the left upper quadrant, to the left lower quadrant, to the right lower quadrant, moderate intensity, no distension, firm uterus at umbilicus...Medical History...miscarriage x 2...cesarean section..." Medical record review of a physician's progress note dated April 2, 2014, at 7:20 a.m., revealed, "...BSUS (Bedside Ultrasound) shows IUP (Intrauterine Pregnancy) at approx 20 wks (approximately 20 weeks). Will obtain formal us (ultrasound), labs, and ob (obstetric) consult..." Medical record review of the Nursing Assessment: Continuing Assessment dated April	A2401	**Monitoring of the Corrective Action Process:** 1. Monitoring will be conducted monthly for 4 continuous months beginning January 2015- April 2015 **by the Emergency Department Nurse Manager at Erlanger East**. A review of 70 cases per month will be randomly selected to assess for compliance of appropriate completion of the new EMTALA Transfer Form with a minimum of 90% compliance rate. If this is not met after 4 months of review, the review of records will be continued for an additional 4 months until 90% compliance is achieved, Results will be reported to the Erlanger Health System Quality Oversight Committee.	1/2015-4/1015

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A2401	Continued From page 4 2, 2014, revealed, "...(7:24 a.m.) per pt she miscarried in January at home and was never seen by OBGYN (Obstetrician/Gynecologist) to confirm. Pt sts (states) she was seen by OBGYN recently, but could not give specific day or date, and was told her blood pregnancy test was positive. Pt sts she is 'a couple of weeks pregnant'...patient appears, restless, uncomfortable...(7:40 a.m.) pt rates pain 8 on a scale of 1-10. MD notified new medication order received...(8:12 a.m.) States worsening pain, pt still c/o pain an 8 on a scale of 1-10. MD notified and new medication order received...Patient appears restless, uncomfortable...(8:56 a.m.) States decreased pain, Patient states decreased pain, although she still rates it 7 out of 10. She is not as restless and seems in no pain distress at this time. pain is more intermittent at this time... (9:10 a.m.) States worsening pain...Patient appears, uncomfortable..." Medical record review of a physician's note dated April 2, 2014, at 8:53 a.m., revealed, "Diagnosis Final: Primary Preterm Labor." Medical record review of a nurse's note dated April 2, 2014, at 8:54 a.m., revealed, "Ambulance service contacted...Estimated time of arrival 15-20 min (minutes)." Medical record review of a nurse's note dated April 2, 2014, at 9:06 a.m., revealed, "Indocin (medication to delay labor) ordered by (Medical Doctor - M.D. #1). Pharmacy called and we do not carry that medication on this campus. MD (MD #1) aware, medication order canceled." Medical record review of a nurse's note dated April 2, 2014, at 9:14 a.m., revealed, "Transfer:	A2401	**Indocin is now stocked at the Erlanger East campus pharmacy and available – Indomethacin dosage = 25mg x2 (50mg) PO stat then 25mg PO every 6 hours. Magnesium and Terbutaline are also available if requested.**	12/5/2014

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A2401	Continued From page 5 Reason for transfer need for specialized care, Diagnosis: preterm labor, Accepting Institution: (Hospital #2) Labor and Delivery, Accepting physician (M.D. #2)...Report called to receiving facility..." Medical record review of a Transfer Authorization dated April 2, 2014, at 9:18 a.m., revealed, "STABILITY The patient is stabilized at the time of transfer and no medical deterioration of the patient's condition is likely, within reasonable medical probability, to result from or occur during the transfer of the individual from this facility, or, with respect to a pregnant woman having contractions, the woman has delivered (including the placenta) OR The Patient is in a state of an emergency medical condition, and I hereby certify that based upon the information available to me at this time, the medical benefits reasonably expected from the provision of appropriate medical treatment at another facility, outweigh the increased risks to the individual and, in the case of labor, to the unborn child from effecting the transfer..." Review of the Transfer Authorization revealed both statements were checked. Further review revealed, "...appropriate transport service...Advanced...The receiving facility has agreed to accept the patient...Facility (Hospital #2)...accepting physician (M.D. #2)..." Continued review revealed, "...Reason for transfer: preterm labor Risk of transfer: death by MVC (motor vehicle crash) Benefits of transfer: higher level of care..." Medical record review of a physician's progress note dated April 2, 2014, at 9:22 a.m., revealed, "formal us (ultrasound) shows (20 week intrauterine pregnancy) and incompetent cervix. Discussed results (with M.D. #2 - patient's	A2401	**Indocin is now stocked at the Erlanger East campus pharmacy and available – Indomethacin dosage = 25mg x2 (50mg) PO stat then 25mg PO every 6 hours. Magnesium and Terbutaline are also available if requested.** Hospital # 1 is within the Erlanger Health System; however this was not reflected in the EMTALA Transfer Policy and **is now reflected in the policy draft. A new** system wide policy was developed to reflect this language and inclusion of current EMTALA and associated State law. The draft of this policy was reviewed by the Medical Executive Committee on December 1, 2014. The committee reviewed the policy and requested additional information. The final draft will be approved by the Medical Executive Committee on January 5, 2015 . (See attachment # *1* - Draft EMTALA Transfer Policy) (See attachment # 7 – Medical Staff Executive Committee Meeting Agenda)	12/5/2014 12/1/2014 1/5/2015

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A2401	Continued From page 6 obstetrician)...who rec (recommended) indomethacin (Indocin) but med (medication) unavailable here at east. due to early pregnancy pt (patient) will go emergency transport to (Hospital #2) L/D (Labor and Delivery) for OB (Obstetrician) eval (evaluation)." Medical record review of a nurse's note dated April 2, 2014, at 9:27 a.m., revealed, "Disposition: (Hospital #2) Transport: Ambulance, Patient left the department." Medical record review revealed OB did not see the patient in the ED and was not notified of Indocin being unavailable. Further medical record review revealed no documentation regarding a pelvic examination, fetal heart tones being monitored, or obtaining timing of any contractions. Review of an EMS (Emergency Medical Service) Patient Care Report dated April 2, 2014, revealed, "...Level of Care: ALS (Advanced Life Support)...At patient (9:15 a.m.)...Transport: (9:25 a.m.) At dest (destination): (9:43 a.m.)...Narrative: Dispatched emer (emergent) to (Facility) to transfer pt (patient) to (Hospital #2)...pt in premature labor...nurse advised '...they performed an ultrasound and the cervix was not even visible so they called for transfer...have given her 1 liter NS (normal saline), 8 mg (milligrams) Morphine, 0.5 Dilaudid, and 4 mg of Zofran. Pt has had no pain relief.' Further ALS asses (assessment) revealed pt was having contractions at 1-2 min's (minutes) apart, pt was hot on a fetal heart rate monitor, and had no Tocolytics (medication to slow contractions) on board...continued to have contractions at 1-2 mins part, right before arrival at (Hospital #2) pt	A2401	**Review of the medical record of patient # 7 will be formally reviewed by the Chief of Emergency Medicine on 12/9/2014. Based on this case new guidelines for management of obstetric patients in the Erlanger East Emergency Department has been developed and approved by the Chief of Emergency Medicine/Erlanger East Medical Director on 12/3/2014. (See attachment #11)**	12/9/2014

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A2401	Continued From page 7 stated she felt like something was coming out. Upon initial evaluation nothing was seen, but then her water broke and both the baby's feet presented toes pointing upward...pt could not push anymore, the feet were purple had no movement. By this time we were at (Hospital #2) and diverted straight to the ER (Emergency Room). Moved pt to bed...staff started to deliver baby. When baby was fully delivered it was lifeless and staff did not attempt resuscitation...pt could not sign due to staff rushing her to L&D..." Medical record review of Hospital #2's ER record dated April 2, 2014, revealed, "Complaint: 21 week ob breech presentation Triage Time...(9:47 a.m.)...Pain: 10 (0-10)...brought in by...ems (emergency medical service), transfer from (facility)...feet of fetus are visible (9:49 a.m.)...Medications prior to arrival, morphine...8 mg (milligrams), dilaudid...0.5 mg...zofran 4 mg." Medical record review of an ultrasound report dated April 2, 2014, at 9:00 a.m. (performed at the facility before transfer), revealed, "...Results: A viable intrauterine pregnancy is identified, estimated gestational age 20 weeks and 2 days. The heart rate...measures 136 beats per minute. Of note the cervical canal is poorly identified, and the cervical os appears to be abnormally dilated up to 4.2 cm (centimeters)...findings compatible with incompetent cervix. GYN (Gynecology) assessment recommended." Medical record review of a Newborn Identification record dated April 2, 2014, revealed, "...Infant's Birth Date April 2, 2014, at (9:50 a.m.) Sex male...Weight 364 gm (grams) Length 26 cms (centimeters)..."	A2401		

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A2401	Continued From page 8 Medical record review of a physician's progress note dated April 2, 2014, at 9:59 a.m., revealed, "...NICU (neo-natal intensive care unit) and OB paged directly on arrival. Pt preterm did not know...was pregnant. Did not go into labor/contractions...Fetus blue/red on arrival. Fetus delivered, non-viable with OB assistance in ED (emergency department). Cord clamped...Pt transported to L+D (labor and delivery) for placental." Medical record review of a history and physical dated April 2, 2014, revealed, "...(10:02 a.m.) Chief Complaint: arrives c/o (complains of) labor. Breech presentation noted...Did not know she was pregnant. 21 weeks by LMP. NO prenatal care...Pain controlled. Fetus non viable. No alleviating or aggrevating (aggravating) factors. Pain cramping to lower abd (abdomen). No sig (significant) bleeding...In my professional medical judgment...this patient presents with an emergency medical condition manifesting itself by acute symptoms of sufficient severity (including severe pain) that the absence of immediate medical attention could reasonably be expected to result in placing the patient's health in serious jeopardy; serious impairment to bodily function, or serious dysfunction of a body organ or part...reports vaginal bleeding, vaginal discharge...Pelvic: Bimanual exam abnormal, Cervix dilated 2 cm (centimeters), fetus in breech presentation, legs at introitus on arrival..." Medical record review of a physician's progress note dated April 2, 2014, at 10:57 a.m., revealed, "Precipitous Delivery...OB notified of patients arrival to the emergency department. Infant delivered via vaginal delivery, at (9:50 a.m.)...Initial APGAR score...3 (0-10, higher score	A2401		

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A2401	Continued From page 9 indicative of better clinical condition) Patient tolerated the procedure with difficulty..." Medical record review of a physician's progress note dated April 2, 2014, at 11:00 a.m., revealed, "...OB Called to ER for delivery of preterm with no prenatal care...had presented to (facility) with abd pain and cramps...transferred to ER here where she delivered non-viable male infant...Placenta remains intact..." Medical record review of a Bereavement Loss Checklist L&D dated April 2, 2014, revealed, "...Complications this pregnancy: Preterm labor Obstetrician: (M.D. #2) Delivery Date/Time: 4-2-14 at (9:50 a.m.) Death date/Time: 4-2-14 at (9:50 a.m.)...Sex: M (male)..." Medical record review revealed, "...04/02/2014 (9:26 p.m.)...Delivery Time: Placenta - Manual." Medical record review revealed the patient was discharged on April 2, 2014. Interview with the Corporate Preparedness/Safety Officer on May 9, 2014, at 2:40 p.m., in a conference room, revealed the facility did not have current approved EMTALA policies for Hospital #1 except for a transfer policy. Further interview confirmed the unapproved policy with an origination date of March 2014 was under review. Interview with the ER Nurse Manager on May 12, 2014, at 10:20 a.m., in a conference room, revealed the facility had provided labor and delivery services since 1996, delivered infants of 35-36 weeks gestation through full term, had the capability of providing monitoring of fetal heart tones in the ED, and had OB on call. She stated,	A2401		

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A2401	Continued From page 10 "...unless high risk, and under EMTALA we just deliver, pray for the best, and after delivery transport downtown (Hospital #2)." Interview with the ED's Medical Director on May 12, 2014, at 11:58 a.m., in a conference room, and in the presence of the facility's Corporate Preparedness/Safety Officer, revealed Patient #7 presented to Hospital #2 and he delivered Patient #7's infant. Continued interview confirmed the facility's East campus inappropriately transferred Patient #7 on April 2, 2014, and confirmed Patient #7 was transferred to Hospital #2 in an unstable medical condition. He stated, "...When patient arrived, I didn't have time to read her paperwork. The feet were already out and we had to deliver."	A2401		
A2402	489.20(q) POSTING OF SIGNS [The provider agrees,] in the case of a hospital as defined in §489.24(b), to post conspicuously in any emergency department or in a place or places likely to be noticed by all individuals entering the emergency department, as well as those individuals waiting for examination and treatment in areas other than traditional emergency departments (that is, entrance, admitting area, waiting room, treatment area) a sign (in a form specified by the Secretary) specifying the rights of individuals under section 1867 of the Act with respect to examination and treatment for emergency medical conditions and women in labor; and to post conspicuously (in a form specified by the Secretary) information indicating whether or not the hospital or rural primary care hospital (e.g., critical access hospital) participates in the Medicaid program under a State plan approved under Title XIX.	A2402	**A2402:** 489.24(q) POSTING OF SIGNS **The findings included:** This STANDARD is not met as evidenced the facility failed to conspicuously post the required signs with respect to the right to examination and treatment for emergency medical conditions and women in labor. **Plan of Correction Responsibility:** The Medical Director for Emergency Services has the responsibility for the plan of correction.	

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A2402	Continued From page 11 This STANDARD is not met as evidenced by: Based on observation and interview, the facility failed to conspicuously post the required signs with respect to the right to examination and treatment for emergency medical conditions and women in labor. The findings included: Observation of the facility's Emergency Room (ER) with a Nurse Manager on May 9, 2014, at 10:20 a.m., revealed the required signs were not posted in the patient/family waiting area of the ER. (Required signs inform patients of the right to receive an appropriate medical screening examination, necessary stabilizing treatment, and if necessary an appropriate transfer if the patient has a medical emergency, regardless of ability to pay, and if the facility does/does not participate in the Medicaid program.) Interview with a Nurse Manager on May 9, 2014, at approximately 10:30 a.m., in the outpatient surgery entrance, confirmed the facility failed to conspicuously post the required signs.	A2402	**When/How Corrected:** The signage was partially blocked at the Erlanger East Emergency Room entrance by the vending machines and no signage was posted at the desk inside the Emergency Department registration/information counter. 1. The vending machines were moved in order to have total view of the required signage at the Erlanger East Emergency Department entrance. Corrected during survey 5/12/2014 2. The required signage was posted behind the Erlanger East Emergency Department registration/information counter in the waiting room. Corrected during Survey 5/21/2014 3. The required signage was posted at the Erlanger East Ambulatory Entrance (Attachments #8 – photos of posted required signage)	5/12/2014 5/12/2014 11/24/2014
A2409	489.24(e)(1)-(2) APPROPRIATE TRANSFER (1) General If an individual at a hospital has an emergency medical condition that has not been stabilized (as defined in paragraph (b) of this section), the hospital may not transfer the individual unless - (i) The transfer is an appropriate transfer (within the meaning of paragraph (e)(2) of this section); and (ii)(A) The individual (or a legally responsible person acting on the individual's behalf) requests the transfer, after being informed of the hospital's	A2409		

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A2409	Continued From page 12 obligations under this section and of the risk of transfer. The request must be in writing and indicate the reasons for the request as well as indicate that he or she is aware of the risks and benefits of the transfer. (B) A physician (within the meaning of section 1861(r)(1) of the Act) has signed a certification that, based upon the information available at the time of transfer, the medical benefits reasonably expected from the provision of appropriate medical treatment at another medical facility outweigh the increased risks to the individual or, in the case of a woman in labor, to the woman or the unborn child, from being transferred. The certification must contain a summary of the risks and benefits upon which it is based; or (C) If a physician is not physically present in the emergency department at the time an individual is transferred, a qualified medical person (as determined by the hospital in its bylaws or rules and regulations) has signed a certification described in paragraph (e)(1)(ii)(B) of this section after a physician (as defined in section 1861(r)(1) of the Act) in consultation with the qualified medical person, agrees with the certification and subsequently countersigns the certification. The certification must contain a summary of the risks and benefits upon which it is based. (2) A transfer to another medical facility will be appropriate only in those cases in which - (i) The transferring hospital provides medical treatment within its capacity that minimizes the risks to the individual's health and, in the case of a woman in labor, the health of the unborn child;	A2409		

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A2409	Continued From page 13 (ii) The receiving facility (A) Has available space and qualified personnel for the treatment of the individual; and (B) Has agreed to accept transfer of the individual and to provide appropriate medical treatment. (iii) The transferring hospital sends to the receiving facility all medical records (or copies thereof) related to the emergency condition which the individual has presented that are available at the time of the transfer, including available history, records related to the individual's emergency medical condition, observations of signs or symptoms, preliminary diagnosis, results of diagnostic studies or telephone reports of the studies, treatment provided, results of any tests and the informed written consent or certification (or copy thereof) required under paragraph (e)(1)(ii) of this section, and the name and address of any on-call physician (described in paragraph (g) of this section) who has refused or failed to appear within a reasonable time to provide necessary stabilizing treatment. Other records (e.g., test results not yet available or historical records not readily available from the hospital's files) must be sent as soon as practicable after transfer; and (iv) The transfer is effected through qualified personnel and transportation equipment, as required, including the use of necessary and medically appropriate life support measures during the transfer. This STANDARD is not met as evidenced by: Based on review of facility policy, review of Rules and Regulations of the Medical Staff, review of Emergency Room Logs, medical record review, and interview, the facility failed to appropriately	A2409	**A2409:** 489.24(e)(1)-(2) Appropriate Transfers **The findings included:** This STANDARD is not met as evidenced by: Based on review of facility policy, review of Rules and Regulations of the Medical Staff, review of Emergency Room Logs, medical record review, and interview, the facility failed to appropriately transfer four patients (#7, #8, #9, and #11) of the 16 patients reviewed. **Plan of Correction Responsibility:** The Chief Medical Officer and the Chief of Emergency Medicine is responsible for the corrective action plan and ongoing compliance.	

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A2409	Continued From page 14 transfer four patients (#7, #8, #9, and #11) of sixteen patients reviewed. The findings included: Review of facility policy titled "Transfers...PC.074" most recently revised in February, 2012, revealed, "...To establish guidelines for transferring patient within a facility, to an alternative level of care, or to another acute care facility while assuring medically appropriate continuity of care and compliance with EMTALA (Emergency Medical Treatment and Active Labor Act) regulation...The following information must be completed prior to a transfer...transferring physician must obtain acceptance from a receiving physician...receiving facility must accept the patient...patient and/or family members consent...Copies of the completed Emergency Department (ED) record, lab results/x-rays and EKG reports will be sent with patient...Transfer form completed. The transferring physician determines the method of patient transport and the amount of support that will be needed during transport. The transferring physician also maintains responsibility for care during transport until arrival at the receiving facility..." Review of a policy titled "(Facility) East Emergency Services Scope of Services" revealed, "Origination Date: 3/14" and the approval date was blank, indicating it had not been approved by the Medical Staff or the Governing Body. Review of facility policy for the hospital's main campus titled "Emergency Department Scope of Services Number: EMS.280" most recently revised in March, 2010, revealed, "...An	A2409	**When/How Corrected:** Hospital # 1 is within the Erlanger Health System; however this was not reflected in the EMTALA Transfer Policy and **is now reflected in the policy draft. A new** system wide policy was developed to reflect this language and inclusion of current EMTALA and associated State law. The draft of this policy was reviewed by the Medical Executive Committee on December 1, 2014. The committee reviewed the policy and requested additional information. The final draft will be approved by the Medical Executive Committee on January 5, 2015 . (See attachment # *1* - Draft EMTALA Transfer Policy) (See attachment # 7 – Medical Staff Executive Committee Meeting Agenda) **The Emergency Services Scope of Services policies (EMS #280 and EEED #7174.100) were reviewed and approved to include documentation of approval by the Chief of Emergency Medicine, and revision of the staffing model for Erlanger Baroness Campus. These policies are departmental policies that are required by all departments explaining the scope of the services the department provides, staffing for the department, special equipment and procedures.** **(See attachment #2 and #10.)**	12/1/2014 12/5/2014 11/24/2014

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STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	440104	A. BUILDING _____ B. WING _____	C 05/13/2014

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
ERLANGER MEDICAL CENTER	975 E 3RD ST CHATTANOOGA, TN 37403

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A2409	Continued From page 15 Emergency Medical Condition is defined as a medical condition manifesting itself by acute symptoms of sufficient severity such that the absence of prompt and appropriate medical attention could result in...placing the health or safety of the patient or unborn child in serious jeopardy...The following conditions are declared to be emergency conditions by statute and regulation ...pregnancy with contractions present...acute pain rising to the level of the general definition of emergency medical condition...Evaluation, management, and treatment of patients is appropriate and expedient...Immediate evaluation and stabilization, to the degree reasonably possible, will be available for each patient who presents with an emergency medical condition...Necessary equipment...supplies must be immediately available in the facility at all times...Necessary drugs and agents must be immediately available in the facility at all times...Patients are to be transported to the nearest appropriate ED (emergency department) in accordance with applicable laws, regulations, and guidelines...All transfers will comply with local, state, and federal laws...Equipment and Supplies...Radiological, Imaging and Diagnostic Services Available 24/7 (24 hours per day/7 days per week)...fetal monitoring..." Review of Rules and Regulations of the Medical Staff revealed, "...Effective date: December 7, 1995...A phone call from the requesting physician to the consultant is required for emergent/urgent consults to ensure clear communication regarding the clinical situation and timely coordination of care...The need for consultation will be determined by the (ED) physician...A satisfactory consultation includes examination of	A2409		

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A2409	Continued From page 16 the patient and the record. A written or dictated opinion signed by the consultant must be included in the medical record. For emergent/urgent situations, the consulting physician should discuss findings directly with the referring physician in addition to the written documentation...Medical records contain...Emergency care, treatment, and services provided to the patient before his or her arrival, if any...Documentation and findings of assessments...Conclusion or impressions drawn from medical history and physical examination...Progress notes made by authorized individuals...Consultation reports...All medical record entries must be legible, complete, dated, timed, and authenticated in written or electronic form by the person responsible for providing or evaluating the service provided..." Review of an Emergency Room Log dated April 2, 2014, revealed Patient #7 presented to the facility's East campus with complaint of Vaginal Bleeding. Medical record review of a Triage note dated April 2, 2014, revealed, "...(6:37 a.m.) Complaint: Vaginal bleeding...(6:49 a.m.) Pain level 9 (0-10)...Quality is cramping. Since yesterday...states...Is a 'couple weeks pregnant'...had a miscarriage in Jan (January) LMP (Last Menstrual Period): 11-15-2013 (history of five pregnancies, three delivered pregnancies)..." Medical record review of a history and physical dated April 2, 2014, at 7:14 a.m., revealed, "pt (patient) w/ (with) abd (abdominal) pain. lmp (last mentrual period) 11/5/13. thought she had miscarriage in January due to heavy bleeding and	A2409		

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A2409	Continued From page 17 passing tissue. Was told last week that she is pregnant again. now having severe cramps. had some light bleeding past 2 days. today no bleeding but severe cramps. vomit x (times) 2. no diarrhea. no urinary sx (symptoms). no fever...Sudden onset of symptoms, Symptoms are worsening, are constant. Maximum severity of symptoms severe, Currently symptoms are severe. In my professional medical judgment...this patient presents with an emergency medical condition manifesting itself by acute symptoms of sufficient severity (including severe pain) that in the absence of immediate medical attention could reasonably be expected to result in placing the patient's health in serious jeopardy; serious impairment to bodily function, or serious dysfunction of a body organ...(7:18 a.m.) Abdominal exam included findings of abdomen tender, to the left upper quadrant, to the left lower quadrant, to the right lower quadrant, moderate intensity, no distension, firm uterus at umbilicus...Medical History...miscarriage x 2...cesarean section..." Medical record review of a physician's progress note dated April 2, 2014, at 7:20 a.m., revealed, "...BSUS (Bedside Ultrasound) shows IUP (Intrauterine Pregnancy) at approx 20 wks (approximately 20 weeks). Will obtain formal us (ultrasound), labs, and ob (obstetric) consult..." Medical record review of the Nursing Assessment: Continuing Assessment dated April 2, 2014, revealed, "...(7:24 a.m.) per pt she miscarried in January at home and was never seen by OBGYN (Obstetrician/Gynecologist) to confirm. Pt sts (states) she was seen by OBGYN recently, but could not give specific day or date, and was told her blood pregnancy test was	A2409		

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A2409	Continued From page 18 positive. Pt sts she is 'a couple of weeks pregnant'...patient appears, restless, uncomfortable...(7:40 a.m.) pt rates pain 8 on a scale of 1-10. MD notified new medication order received...(8:12 a.m.) States worsening pain, pt still c/o pain an 8 on a scale of 1-10. MD notified and new medication order received...Patient appears restless, uncomfortable...(8:56 a.m.) States decreased pain, Patient states decreased pain, although she still rates it 7 out of 10. She is not as restless and seems in no pain distress at this time. pain is more intermittent at this time... (9:10 a.m.) States worsening pain...Patient appears, uncomfortable..." Medical record review of a physician's note dated April 2, 2014, at 8:53 a.m., revealed, "Diagnosis Final: Primary Preterm Labor." Medical record review of a nurse's note dated April 2, 2014, at 8:54 a.m., revealed, "Ambulance service contacted...Estimated time of arrival 15-20 min (minutes)." Medical record review of a nurse's note dated April 2, 2014, at 9:06 a.m., revealed, "Indocin (medication to delay labor) ordered by (Medical Doctor - M.D.,#1). Pharmacy called and we do not carry that medication on this campus. MD (MD #1) aware, medication order canceled." Medical record review of a nurse's note dated April 2, 2014, at 9:14 a.m., revealed, "Transfer: Reason for transfer need for specialized care, Diagnosis: preterm labor, Accepting Institution: (Hospital #2) Labor and Delivery, Accepting physician (M.D. #2)...Report called to receiving facility..."	A2409	**Indocin is now stocked at the Erlanger East campus pharmacy and available – Indomethacin dosage = 25mg x2 (50mg) PO stat then 25mg PO every 6 hours. Magnesium and Terbutaline are also available if requested.**	12/5/2014

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A2409	Continued From page 19 Medical record review of a Transfer Authorization dated April 2, 2014, at 9:18 a.m., revealed, "STABILITY The patient is stabilized at the time of transfer and no medical deterioration of the patient's condition is likely, within reasonable medical probability, to result from or occur during the transfer of the individual from this facility, or, with respect to a pregnant woman having contractions, the woman has delivered (including the placenta) OR The Patient is in a state of an emergency medical condition, and I hereby certify that based upon the information available to me at this time, the medical benefits reasonably expected from the provision of appropriate medical treatment at another facility, outweigh the increased risks to the individual and, in the case of labor, to the unborn child from effecting the transfer..." Review of the Transfer Authorization revealed both statements were checked. Further review revealed, "...appropriate transport service...Advanced...The receiving facility has agreed to accept the patient...Facility (Hospital #2)...accepting physician (M.D. #2)..." Continued review revealed, "...Reason for transfer: preterm labor Risk of transfer: death by MVC (motor vehicle crash) Benefits of transfer: higher level of care..." Medical record review of a physician's progress note dated April 2, 2014, at 9:22 a.m., revealed, "formal us (ultrasound) shows (20 week intrauterine pregnancy) and incompetent cervix. Discussed results (with M.D. #2 - patient's obstetrician)...who rec (recommended) indomethacin (Indocin) but med (medication) unavailable here at east. due to early pregnancy pt (patient) will go emergency transport to (Hospital #2) L/D (Labor and Delivery) for OB (Obstetrician) eval (evaluation)."	A2409	Transfer Authorization form revealed it had been completed inappropriately. It revealed both statements were checked (stable or state of emergency medical condition). **A new transfer form was developed** and was approved by the Health Information Management Forms Committee on 11/24/14. It was sent to the Print Shop for print and will be ready for distribution by 12/5/2014. **Education:** **Education will be provided to all emergency staff on the new policy updates (EMTALA Transfer policy, EMTALA-Provision of On Call Coverage Policy , the new EMTALA Transfer Form and the education al power point presentation). This mandatory education will be distributed in notebooks to each Emergency Departments in the Erlanger Health System. All emergency department staff including physician and physician extenders will be required to read and acknowledge by signature understanding of the new policies and processes by December 31, 2014.**	11/24/2014 12/5/2014 12/31/2014

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A2409	Continued From page 20 Medical record review of a nurse's note dated April 2, 2014, at 9:27 a.m., revealed, "Disposition: (Hospital #2) Transport: Ambulance, Patient left the department." Medical record review revealed OB did not see the patient in the ED and was not notified of Indocin being unavailable. Further medical record review revealed no documentation regarding a pelvic examination, fetal heart tones being monitored, or obtaining timing of any contractions. Review of an EMS (Emergency Medical Service) Patient Care Report dated April 2, 2014, revealed, "...Level of Care: ALS (Advanced Life Support)...At patient (9:15 a.m.)...Transport: (9:25 a.m.) At dest (destination): (9:43 a.m.)...Narrative: Dispatched emer (emergent) to (Facility) to transfer pt (patient) to (Hospital #2)...pt in premature labor...nurse advised '...they performed an ultrasound and the cervix was not even visible so they called for transfer...have given her 1 liter NS (normal saline), 8 mg (milligrams) Morphine, 0.5 Dilaudid, and 4 mg of Zofran. Pt has had no pain relief.' Further ALS asses (assessment) revealed pt was having contractions at 1-2 min's (minutes) apart, pt was not on a fetal heart rate monitor, and had no Tocolytics (medication to slow contractions) on board...continued to have contractions at 1-2 mins part, right before arrival at (Hospital #2) pt stated she felt like something was coming out. Upon initial evaluation nothing was seen, but then her water broke and both the baby's feet presented toes pointing upward...pt could not push anymore, the feet were purple had no movement. By this time we were at (Hospital #2)	A2409	**Monitoring of the Corrective Action Process:** 1. Monitoring will be conducted monthly for 4 continuous months beginning January 2015- April 2015 **by the Emergency Department Nurse Manager at Erlanger East**. A review of 70 cases per month will be randomly selected to assess for compliance of appropriate completion of the new EMTALA Transfer Form with a minimum of 90% compliance rate. If this is not met after 4 months of review, the review of records will be continued for an additional 4 months until 90% compliance is achieved, Results will be reported to the Erlanger Health System Quality Oversight Committee. **Review of the medical record of patient # 7 will be formally reviewed by the Chief of Emergency Medicine on 12/9/2014. Based on this case new guidelines for management of obstetric patients in the Erlanger East Emergency Department has been developed and approved by the Chief of Emergency Medicine/Erlanger East Medical Director on 12/3/2014. (See attachment #11)**	1/2015-4/1015 12/9/2014 12/3/2014

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A2409	Continued From page 21 and diverted straight to the ER (Emergency Room). Moved pt to bed...staff started to deliver baby. When baby was fully delivered it was lifeless and staff did not attempt resuscitation...pt could not sign due to staff rushing her to L&D..." Medical record review of Hospital #2's ER record dated April 2, 2014, revealed, "Complaint: 21 week ob breech presentation Triage Time...(9:47 a.m.)...Pain: 10 (0-10)...brought in by...ems (emergency medical service), transfer from (facility)...feet of fetus are visible (9:49 a.m.)...Medications prior to arrival, morphine...8 mg (millgrams), dilaudid...0.5 mg...zofran 4 mg." Medical record review of an ultrasound report dated April 2, 2014, at 9:00 a.m. (performed at the facility before transfer), revealed, "...Results: A viable intrauterine pregnancy is identified, estimated gestational age 20 weeks and 2 days. The heart rate...measures 136 beats per minute. Of note the cervical canal is poorly identified, and the cervical os appears to be abnormally dilated up to 4.2 cm (centimeters)...findings compatible with incompetent cervix. GYN (Gynecology) assessment recommended." Medical record review of a Newborn Identification record dated April 2, 2014, revealed, "...Infant's Birth Date April 2, 2014, at (9:50 a.m.) Sex male...Weight 364 gm (grams) Length 26 cms (centimeters)..." Medical record review of a physician's progress note dated April 2, 2014, at 9:59 a.m., revealed, "...NICU (neo-natal intensive care unit) and OB paged directly on arrival. Pt preterm did not know...was pregnant. Did not go into labor/contractions...Fetus blue/red on arrival.	A2409		

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A2409	Continued From page 22 Fetus delivered, non-viable with OB assistance in ED (emergency department). Cord clamped...Pt transported to L+D (labor and delivery) for placental." Medical record review of a history and physical dated April 2, 2014, revealed, "...(10:02 a.m.) Chief Complaint: arrives c/o (complains of) labor. Breech presentation noted...Did not know she was pregnant. 21 weeks by LMP. NO prenatal care...Pain controlled. Fetus non viable. No alleviating or aggrevating (aggravating) factors. Pain cramping to lower abd (abdomen). No sig (significant) bleeding...In my professional medical judgment...this patient presents with an emergency medical condition manifesting itself by acute symptoms of sufficient severity (including severe pain) that the absence of immediate medical attention could reasonably be expected to result in placing the patient's health in serious jeopardy; serious impairment to bodily function, or serious dysfunction of a body organ or part...reports vaginal bleeding, vaginal discharge...Pelvic: Bimanual exam abnormal, Cervix dilated 2 cm (centimeters), fetus in breech presentation, legs at introitus on arrival..." Medical record review of a physician's progress note dated April 2, 2014, at 10:57 a.m., revealed, "Precipitous Delivery...OB notified of patients arrival to the emergency department. Infant delivered via vaginal delivery, at (9:50 a.m.)...Initial APGAR score...3 (0-10, higher score indicative of better clinical condition) Patient tolerated the procedure with difficulty..." Medical record review of a physician's progress note dated April 2, 2014, at 11:00 a.m., revealed, "...OB Called to ER for delivery of preterm with no	A2409		

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A2409	Continued From page 23 prenatal care...had presented to (facility) with abd pain and cramps...transferred to ER here where she delivered non-viable male infant...Placenta remains intact..." Medical record review of a Bereavement Loss Checklist L&D dated April 2, 2014, revealed, "...Complications this pregnancy: Preterm labor Obstetrician: (M.D. #2) Delivery Date/Time: 4-2-14 at (9:50 a.m.) Death date/Time: 4-2-14 at (9:50 a.m.)...Sex: M (male)..." Medical record review revealed, "...04/02/2014 (9:26 p.m.)...Delivery Time: Placenta - Manual." Medical record review revealed the patient was discharged on April 2, 2014. Interview with the ER Nurse Manager on May 12, 2014, at 10:20 a.m., in a conference room, revealed the facility had provided labor and delivery services since 1996, delivered infants of 35-36 weeks gestation through full term, had the capability of providing monitoring of fetal heart tones in the ED, and had OB on call. She stated, "...unless high risk, and under EMTALA we just deliver, pray for the best, and after delivery transport downtown (Hospital #2)." Interview with a Registered Pharmacist on May 12, 2014, at 11:23 a.m., in a conference room, revealed the pharmacy did not stock Indomethacin, but the medication used to delay labor could be stocked on the recommendation of physicians. Interview with the ER's Medical Director on May 12, 2014, at 11:58 a.m., in a conference room, and in the presence of the facility's Corporate	A2409		

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A2409	Continued From page 24 Preparedness/Safety Officer, revealed Patient #7 presented to Hospital #2 and he delivered Patient #7's infant. Continued interview confirmed the facility inappropriately transferred Patient #7 on April 2, 2014, and he stated, "...When patient arrived, I didn't have time to read her paperwork. The feet were already out and we had to deliver." Review of an ER Log revealed Patient #8 presented to the ER on April 18, 2014. Medical record review of an ER Record dated April 18, 2014, revealed Patient #8 presented to the ER with a complaint of abdominal pain. Medical record review of a Nursing Assessment dated April 18, 2014, at 8:58 a.m., revealed, "...pressure pain, to the right lower quadrant...on a scale 0-10 patient rates pain as 10..." Medical record review of a history and physical dated April 18, 2014, at 9:01 a.m., revealed, "...abdominal pain that started 3 days ago. Pain is sharp, constant, started in right upper but now pain to RLQ (Right Lower Quadrant) as well. No radiation to back...are constant...In my professional medical judgment....this patient presents with an emergency medical condition manifesting itself by acute symptoms of sufficient severity (including severe pain) that the absence of immediate medical attention could reasonably be expected to result in placing the patient's health in serious jeopardy; serious impairment to bodily function, or serious dysfunction of a body organ or part...(9:03 a.m.) tachycardic...tenderness to right side of abdomen...with voluntary guarding..." Medical record review of a physician's note dated	A2409	A new transfer form was developed and was approved by the Health Information Management Forms Committee on 11/24/14. It was sent to the Print Shop for print and will be ready for distribution by 12/5/2014. (See attachment #4) **Monitoring of the Corrective Action Process:** 1. Monitoring will be conducted monthly for 4 continuous months beginning January 2015- April 2015 **by the Emergency Department Nurse Manager at Erlanger East**. A review of 70 cases per month will be randomly selected to assess for compliance of appropriate completion of the new EMTALA Transfer Form with a minimum of 90% compliance rate. If this is not met after 4 months of review, the review of records will be continued for an additional 4 months until 90% compliance is achieved, Results will be reported to the Erlanger Health System Quality Oversight Committee.	11/24/2014 12/5/2014 1/2015-4/1015

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A2409	Continued From page 25 April 18, 2014, at 9:04 a.m., revealed, "abdominal pain with signficant tenderness and guarding, will check labs, treat pain, do ultrasound." Medical record review of a Medication Administration Summary dated April 18, 2014, revealed the patient was administered pain medication at 9:18 a.m. and 10:32 a.m., and an antibiotic at 9:44 a.m, according to physician's orders. Medical record review of a Nursing Procedure: Communications dated April 18, 2014, at 9:24 a.m., revealed, "...WBC (White Blood Cell) count 32.7 (normal range 4.8-10.8), given to (MD #4)..." Medical record review of a physician's note dated April 18, 2014, at 9:47 a.m., revealed, "ultrasound positive for acute cholecystitis, will send to Main ER (Hospital #2) for surgical evaluation, will give abx (antibiotics) given patient on immunosuppressive meds with WBC 32." Medical record review of a radiology report dated April 18, 2014, at 10:08 a.m., revealed, "...large 2 cm stone in the neck of the gallbladder...gallbladder enlarged to 13 cm...in length...Impression...very suggestive of cholecystitis." Medical record review of the Emergency Department Emergency Record documentation dated April 18, 2014, at 9:50 a.m., revealed, "...Transfer to...(Hospital #2) ED..." Medical record review of a nurse's note dated April 18, 2014, at 9:58 a.m., revealed, "...Reason for transfer need for specialized care, Diagnosis: cholecystitis, Accepting institution: (Hospital #2),	A2409	**Education:** **Education will be provided to all emergency staff on the new policy updates (EMTALA Transfer policy, EMTALA-Provision of On Call Coverage Policy , the new EMTALA Transfer Form and the education al power point presentation). This mandatory education will be distributed in notebooks to each Emergency Departments in the Erlanger Health System. All emergency department staff including physician and physician extenders will be required to read and acknowledge by signature understanding of the new policies and processes by December 31, 2014.**	12/31/2014

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STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	440104	A. BUILDING _____ B. WING _____	C 05/13/2014

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
ERLANGER MEDICAL CENTER	975 E 3RD ST CHATTANOOGA, TN 37403

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A2409	Continued From page 26 Accepting physician: (MD #6)...Transported by non-urgent ambulance...consent for transfer signed..." Medical record review of the Transfer Authorization dated April 18, 2014, revealed, "Stability The patient is stablized at the time of transfer and no medical deterioration of the patient's condition is likely, within reasonable medical probability, to result from or occur during the transfer of the individual from this facility...OR The Patient is in a state of an emergency medical condition, and I hereby certify that based upon the information available to me at this time, the medical benefits reasonably expected from the provision of appropriate medical treatment at another facility, outweigh the increased risks to the individual...OR Patient/Responsible Individual requests transfer..." Review of the Transfer Authorization revealed all three options were checked. Further review of the Transfer Authorization revealed, "...It is medically necessary to transport the patient by ambulance/air ambulance..." was not checked. Further review revealed no Confirmation Time for Hospital #2's acceptance of the patient; no time was documented when report was given to the accepting hospital staff; and no time was documented for when the patient was transferred. Medical record review of an ER Record (Hospital #2) history and physical dated April 18, 2014, at 11:45 a.m., revealed, "...Transfer from outer facility for higher level of care...Symptoms are worsening, are constant...In my professional medical judgment....this patient presents with an emergency medical condition manifesting itself by acute symptoms of sufficient severity (including severe pain) that the absence of immediate	A2409	A new transfer form was developed and was approved by the Health Information Management Forms Committee on 11/24/14. It was sent to the Print Shop for print and will be ready for distribution by 12/5/2014. (See attachment #4) **Monitoring of the Corrective Action Process:** 1. Monitoring will be conducted monthly for 4 continuous months beginning January 2015- April 2015 **by the Emergency Department Nurse Manager at Erlanger East**. A review of 70 cases per month will be randomly selected to assess for compliance of appropriate completion of the new EMTALA Transfer Form with a minimum of 90% compliance rate. If this is not met after 4 months of review, the review of records will be continued for an additional 4 months until 90% compliance is achieved, Results will be reported to the Erlanger Health System Quality Oversight Committee.	12/5/2014 1/2015-4/1015

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

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A2409	Continued From page 27 medical attention could reasonably be expected to result in placing the patient's health in serious jeopardy; serious impairment to bodily function, or serious dysfunction of a body organ or part..." Medical record review of the Hospital #2 Emergency Department Emergency Record dated April 18, 2014, revealed the patient was transported to surgery at 1:58 p.m. Medical record review of a Discharge Summary dated April 20, 2014, revealed, "..taken to operating room for a laparoscopic cholecystectomy with intraoperative cholangiogram...on postop day 2, the day of discharge, will be discharged home..." Interview with the Corporate Preparedness/Safety Officer on May 12, 2014, at 3:35 p.m., in a conference room, confirmed Patient #8 was inappropriately transferred on April 18, 2014. Review of an ER Log revealed Patient #9 presented to the ER on April 18, 2014. Medical record review of an ER Record dated April 18, 2014, revealed, "...(3:15 p.m.) Trauma tuesday...Complaint: bilateral leg tenderness, swelling...(3:25 p.m.) Triage Information...Pain level 8 (0-10)...noticed some increased swelling...concerned about compartment syndrome...Pt has swelling and pain in left calf..." Medical record review of a history and physical dated April 18, 2014, at 4:39 p.m., revealed, "...recently admitted and released from hospital last night from traumatic injury while at work. Had skull fracture, left tibia fracture and right ankle	A2409	**Education:** **Education will be provided to all emergency staff on the new policy updates (EMTALA Transfer policy, EMTALA-Provision of On Call Coverage Policy , the new EMTALA Transfer Form and the education al power point presentation). This mandatory education will be distributed in notebooks to each Emergency Departments in the Erlanger Health System. All emergency department staff including physician and physician extenders will be required to read and acknowledge by signature understanding of the new policies and processes by December 31, 2014.**	12/31/2014

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A2409	Continued From page 28 fracture...had PT (Physical Therapy) come out today, but was told to come directly to ER for increased swelling and pain to left calf. Worried about DVT (Deep Vein Thrombosis) poss (possible) compartment syndrome...In my professional medical judgment....this patient presents with an emergency medical condition manifesting itself by acute symptoms of sufficient severity (including severe pain) that the absence of immediate medical attention could reasonably be expected to result in placing the patient's health in serious jeopardy; serious impairment to bodily function, or serious dysfunction of a body organ or part...large amount of swelling to left calf with tenderness..." Medical record review of a Nurse Practitioner's note dated April 18, 2014, at 4:46 p.m., revealed, "with calf swelling, with recent trauma with ankle fracture, will US (ultrasound) r/o (rule out) DVT...with US, DVT noted with fluid, concerning for compartment syndrome. (M.D. #4) spoke with (MD #11) with trauma, patient will be sent to (Hospital #2) ER downtown for further evaluation." Medical record review of a nurse's note dated April 18, 2014, at 5:09 p.m., revealed, "...Reason for transfer, pt being transferred to the ED, Diagnosis: DVT, Transported by non-urgent ambulance, Copy of patient record prepared for receiving facility, Medication reconciliation form prepared and sent to receiving facility, Patient consent for transfer signed, Family member contacted." Medical record review of the ED record revealed medications administered to the patient in the ED were Dilaudid and Phenergan for pain and	A2409		

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A2409	Continued From page 29 nausea. Medical record review revealed no transfer form, Transfer Authorization, or consent for transfer was found in the medical record. Medical record review of Hospital #2's ER Record revealed, "(5:55 p.m.)...Complaint: DVT LLE (Left Lower Extremity)...Patient transferred from another facility..." Medical record review of the ED physician history and physical dated April 18, 2014, at 7:07 p.m., revealed, "...bilateral leg and facial trauma, discharged from (Hospital #2) and then developed severe bilateral leg pain, worse on the left...There has been no change in the patient's symptoms over time, are constant...In my professional medical judgment....this patient presents with an emergency medical condition manifesting itself by acute symptoms of sufficient severity (including severe pain) that the absence of immediate medical attention could reasonably be expected to result in placing the patient's health in serious jeopardy; serious impairment to bodily function, or serious dysfunction of a body organ or part...(8:47 p.m.) Pulse, tachycardic...extremities swollen bilaterally..." Medical record review of the nursing notes revealed the patient was started on heparin (anticoagulant commonly administered for DVT) on April 18, 2014, at 7:10 p.m. Medical record review of an Admission Request dated April 18, 2014, at 8:45 p.m., revealed, "Condition: Fair...Hospital Service: Surgery - Trauma..."	A2409	**Corrective Action Plan:** Health Information Management (HIM) did not have a scanned copy of the Transfer Form for pt #9. **It is unclear why the transfer form was not in the permanent electronic medical record.** **The Erlanger East Emergency department now scans a copy of the completed/signed transfer form into the electronic emergency room record to assure the document is retained in the record.** **Monitoring of the Corrective Action Process:** Monitoring will be conducted monthly for 4 continuous months beginning January 2015- April 2015 **by the Emergency Department Nurse Manager at Erlanger East.** A review of 70 cases per month will be randomly selected to assess for compliance of appropriate completion of the new EMTALA Transfer Form and presence in the medical record with a minimum of 90% compliance rate. If this is not met after 4 months of review, the review of records will be continued for an additional 4 months until 90% compliance is achieved, Results will be reported to the Erlanger Health System Quality Oversight Committee.	June 2014 1/2015-4/1015

DEPARTMENT OF HEALTH AND HUMAN SERVICES
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A2409	Continued From page 30 Medical record review of a nurse's note dated April 18, 2014, at 10:18 p.m., revealed, "Admission: Patient admitted to telemetry unit...STAT (immediate) admission orders completed..." Medical record review of the ER Nursing Notes revealed the patient was admitted to Inpatient on April 19, 2014, at 12:39 a.m. Telephone interview with the Corporate Preparedness/Safety Officer on May 13, 2014, at 1:30 p.m., revealed the facility was unable to locate a transfer form, Transfer Authorization, or consent form for transfer and confirmed Patient #9 was inappropriately transferred on April 18, 2014. Review of an ER Log revealed Patient #11 presented to the ER on March 31, 2014. Medical record review of an ER Record dated March 31, 2014, revealed, "(12:35 p.m.) Complaint: Hip Pain, right hip." Medical record review of a nurse's note dated March 31, 2014, at 12:44 p.m., revealed, "Triage Information: seen her (here) on 3/26 for rigt (right) hip and leg pain. pt continues to have this pain and is not able to sleep well. Pt has been taking tylenol and motrin that is not helping pain." Medical record review of a history and physical dated March 31, 2014, at 12:44 p.m., revealed, "...Cerebral Palsy, seizure disorder, cerebral atonia, severe thoracolumbar scoliosis, osteoporosis...(12:58 p.m.) patient was seen last Wednesday for bruising to right leg. Unsure of	A2409	The HIM department uses the scanning process for all records scanned and verification that all documents received are scanned . In addition HIM retains the hard copy of the record for 60 days before they are destroyed - ongoing process.	Ongoing

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A2409	Continued From page 31 any injury or trauma. Patient is non weight bearing. wheel chair bound only. Uses assistance when transferring from wheelchair to recliner...patient has CP (Cerebral Palsy), is non-verbal...Gradual onset of symptoms, 7, days prior to arrival. There has been no change in the patient's symptoms over time, are constant...In my professional medical judgment....this patient presents with an emergency medical condition manifesting itself by acute symptoms of sufficient severity (including severe pain) that the absence of immediate medical attention could reasonably be expected to result in placing the patient's health in serious jeopardy; serious impairment to bodily function, or serious dysfunction of a body organ or part...(1:01 p.m.) Patient appears, in mild pain distress, Patient appears to be uncomfortable...Lower extremity exam included finidngs of inspection abnormal no abrasions, contusions present, no deformity...right medial upper thigh, Range of motion, limited to the right hip..." Medical record review of a Family Nurse Practitioner's note dated March 31, 2014, at 1:02 p.m., revealed, "...brought back in for persistent pain. X-ray over-read shows femoral neck fracture. Will CT and call ortho (orthopedics). Caretaker is unsure of any injury or trauma patient has had in the past week...Spoke with (M.D. #6), will look at CT and speak with ortho attending. Patient will need to be sent to ER to be evaluated by ortho." Medical record review of a radiology report (CT) dated March 31, 2014, at 1:13 p.m., revealed, "Comparison: Right femur fracture, 3/26/2014...Impression: An acute, comminuted fracture of right femoral neck with markedly	A2409		

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A2409	Continued From page 32 displaced fracture fragments as discussed..." Medical record review of a nurse's note dated March 31, 2014, at 3:30 p.m., revealed, "...Reason for transfer need for specialized care, Diagnosis: Femur Fracture, accepting institution (Hospital #2), Accepting physician (M.D. #7), Referring physician: (M.D. #1/FNP), Transported by non-urgent ambulance..." Medical record review of a Transfer Authorization dated March 31, 2014, revealed, "Stability The patient is stablized at the time of transfer and no medical deterioration of the patient's condition is likely, within reasonable medical probability, to result from or occur during the transfer of the individual from this facility...OR The Patient is in a state of an emergency medical condition, and I hereby certify that based upon the information available to me at this time, the medical benefits reasonably expected from the provision of appropriate medical treatment at another facility, outweigh the increased risks to the individual...OR Patient/Responsible Individual requests transfer..." Review of the Transfer Authorization revealed all three options were checked. Further review of the Transfer Authorization revealed it was not documented who the aceepting physician was or who the transferring facility was. Medical record review of the ER record dated March 31, 2014, at 3:37 p.m., revealed, "...Disposition Transport: Ambulance, Patient left the department..." Medical record review of a Orthopedic Consultation Report (Hospital #2) dated March 31, 2014, revealed, "...signs of painful hip since	A2409	A new transfer form was developed and was approved by the Health Information Management Forms Committee on 11/24/14. It was sent to the Print Shop for print and will be ready for distribution by 12/5/2014. (See attachment #4) **Monitoring of the Corrective Action Process:** 1. Monitoring will be conducted monthly for 4 continuous months beginning January 2015- April 2015 **by the Emergency Department Nurse Manager at Erlanger East**. A review of 70 cases per month will be randomly selected to assess for compliance of appropriate completion of the new EMTALA Transfer Form and presence in the medical record with a minimum of 90% compliance rate. If this is not met after 4 months of review, the review of records will be continued for an additional 4 months until 90% compliance is achieved, Results will be reported to the Erlanger Health System Quality Oversight Committee.	12/5/2014 1/2015-4/1015

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A2409	Continued From page 33 last Wednesday (March 26, 2014)...At that time, x-rays were taken, which in retrospect showed a femoral neck fracture that was missed, and the patient was sent (home)...would then show signs of significant pain any time his leg was moved or anytime he was transferred from bed to chair...x-ray of the right hip shows a displaced, shortened and varus femoral neck fracture. CT confirms this fracture and also shows comminution, as well as what appears to be a Pauwels III orientation of the femoral neck fracture...Patient will likely go to the operating room tomorrow..." Interview with the Corporate Preparedness/Safety Officer on May 12, 2014, at 3:00 p.m., in a conference room, confirmed Patient #11 was inappropriately transferred. Interview with the Corporate Preparedness/Safety Officer on May 9, 2014, at 2:40 p.m., in a conference room, revealed the facility did not have current approved EMTALA policies for Hospital #1 (facility or the East Campus) except for a transfer policy. Further interview confirmed the unapproved policy with an origination date of March 2014 was under review. Interview with the ED Medical Director on May 12, 2014, at 11:58 a.m., in a conference room and the presence of the Corporate Preparedness/Safety Officer, revealed EMTALA policy "verbage is in our bylaws."	A2409	**Education:** **Education will be provided to all emergency staff on the new policy updates (EMTALA Transfer policy, EMTALA-Provision of On Call Coverage Policy , the new EMTALA Transfer Form and the education al power point presentation). This mandatory education will be distributed in notebooks to each Emergency Departments in the Erlanger Health System. All emergency department staff including physician and physician extenders will be required to read and acknowledge by signature understanding of the new policies and processes by December 31, 2014.**	12/31/2014

Supplemental #2
-Original-

Erlanger East Hospital

CN1412-048

erlanger

SUPPLEMENTAL #2
December 29, 2014
9:46 am

December 26, 2014

Philip Grimm, MHA
HSDA Examiner
State of Tennessee
Health Services and Development Agency
Andrew Jackson, 9th Floor
502 Deaderick St.
Nashville, TN 37243

RE: Certificate of Need Application CN1412-048
Additional Information

Dear Mr. Grimm;

Thank you for the review of our application to relocate and replace a linear accelerator from Erlanger Medical Center to Erlanger East. The additional information you requested is enclosed.

We are excited about our plans to modernize our East Campus with this initiative to develop a full service cancer center and look forward to the review process.

Please let us know if you have further questions or are in need of additional information.

Sincerely,

Joseph M. Winick
Senior Vice President
Planning, Analytics & Business Development

SUPPLEMENTAL INFORMATION (No. 2a)

Chattanooga-Hamilton County Hospital Authority

D / B / A

Erlanger East Hospital

Application To Initiate Radiation Therapy Service

On The Erlanger East Campus

By Replacement & Relocation Of A Linear Accelerator

Currently At Erlanger Medical Center

Application Number CN1412-048

December 26, 2014

ERLANGER HEALTH SYSTEM
Chattanooga, Tennessee

SUPPLEMENTAL #2
December 29, 2014
9:46 am

Supplemental Responses To Questions Of The Tennessee Health Services & Development Agency

1.) Section A, Applicant profile, Item 10.

The response with the breakout of beds for Erlanger East and EMC as a whole is noted. As the applicant mentions, Erlanger East had 2 approved certificate of need projects (CN0407-047AE and CN0407-067A) that resulted in an increase from 28 to 113 licensed beds. While this confirms the 113 licensed beds status, it appears there is a slight difference in the breakout by service between the bed complement chart on page 6 of the application and the table from the HSDA staff summary for CN0407-067A (excerpted below).

Please briefly clarify and/or provide an update about the breakout of beds by category.

	Current Licensed	Staffed Beds	CN0405-047 Approved	Proposed	Total at Completion
Medical	4	4	51		55
Surgical	8	8	17		25
Obstetrical	16	16	7		23
ICU			4		4
Level IIA				6	6
Total	28	28	79	6	113

Source: HSDA staff summary, CN0407-067A

Response

Level II-A nursery beds are technically classified as Medical / Surgical beds. These 6 beds were shown separately in the CON application referenced so that the Agency could see those beds distinguished for purposes of the application itself. For purposes of the instant application, these beds are included in the Medical / Surgical bed mix.

The OB beds at *Erlanger East Hospital* have increased from 16 to 25 currently, 2 more than originally planned. The original plan for 4 ICU beds remains the same. The remaining beds [113-(25+4)=84] were divided 1/3 for surgical and 2/3 for medical, because this was the traditional utilization ratio for Medical / Surgical beds.

2.) **Section A, Applicant Profile, Item 13.**

The response regarding the status of coverage with United Care of Tennessee for commercial and Medicare Advantage products is noted. Given the 43% projected Medicare mix and 23% commercial mix provided on page 20 of your supplemental response, what is the estimated # of enrollees for the proposed service that would need to seek services elsewhere from other providers with linear accelerator units and what assistance would be available from EMC for same?

Response

We expect to be under agreement with United Healthcare of Tennessee. In the event that an arrangement is not reached, United healthcare of Tennessee patients would still be able to seek care at *Erlanger East Hospital*, although they may be considered out of network. If an agreement is not reached, we estimate that this may impact approximately 5 Medicare and 7 Commercial patients.

3.) **Section B, Project Description, Item B.II.D.**

The description of Erlanger East Hospital's cancer program is noted. Just to gain some perspective, review of the Joint Annual Report for EMC revealed 17 inpatient and 848 outpatient for a total of 865 chemotherapy patients in calendar year 2103. Is the 700 estimated chemotherapy patient caseload at Erlanger East additional to volumes at the main EMC hospital campus or is some level of shifting expected in the near future? Please address the impact, if any.

As for surgeries, review of the 2013 JAR revealed 23,870 inpatient and 27,951 outpatient for a total of 51,821 total surgical procedures in CY2013. What was the approximate percentage of surgeries related to cancer during the period? Could the projected cancer surgery caseload mix at Erlanger East be similar to the historical composition of cancer surgeries at EMC? Please discuss.

Response

The number of chemotherapy patients in following years will be higher. The infusion center at *Erlanger East Hospital* will be staffed by 1 medical oncologist on site and will see approximately 700 additional patients, however, not all of them will need chemotherapy. It is expected that the medical oncology patients originating from points East of Chattanooga will most likely receive their care at *Erlanger East Hospital*. Some shifting of patients may be expected.

The percentage of surgeries at *Erlanger Medical Center* is approximately 9.2% for inpatients and 11.4% for outpatients. The cancer surgery mix at *Erlanger East Hospital* is expected to be primarily outpatient; therefore, we do not expect it to be similar to *Erlanger Medical Center*.

4.) Section B, Project Description, Item II.E 1.a - Item 1 And Section C, Economic Feasibility, Item 1 (Project Cost Chart).

The response with revised Project Costs Chart identified $3,065,941 for the purchase of a Varian Truebeam unit, $690,345 for a CT simulator and $1,458,984 for the cost of a 5-year service agreement for a total medical equipment cost of $5,215,270 as noted in line A.7 of the revised chart. Review of the October 2, 2014 vendor quote by Varian Medical Systems revealed that the cost of a 5 year service agreement for the unit was missing from the quote. Please provide documentation such as an addendum to the vendor quote that supports the linear accelerator unit's $1,458,984 service cost. In addition, what are the amounts included for shipping and taxes in the revised Project Costs Chart? Please clarify.

Response

A copy of the quote from *Varian* for the Linear Accelerator maintenance for the 5 year period, as well as a copy of the total estimate for maintenance which documents the $ 1,458,984, is attached to this supplemental information. Since *Erlanger* is a governmental unit we are tax exempt, therefore, no amount was included for taxes. As to shipping cost, the terms of the quote show "FOB:

Destination" (FOB=Free On Board). These terms indicate that the seller will pay the shipping cost.

5.) Section C, Need, Item 1.a (Specific Criteria, Megavoltage Radiation Therapy).

As requested by HSDA staff on 12/18/14, responses to the criteria for the proposed service at Erlanger East Hospital were provided on 12/22/14 as "Additional Information to Supplemental 1". Thank you for providing the additional information. There are a few questions for clarification that need to be addressed as follows:

Item 1.a - It appears that the applicant has misunderstood the criterion. The criterion applies to linear accelerators that are not dedicated to performing SRT and/or SBRT procedures. Please provide a response for each of the items noted in the question (items i-iv).

Based on Year 2 projected utilization of 5,500 procedures or approximately 92% of the 6,000 procedure minimal procedure standard, it appears unlikely that the proposed unit will reach optimal utilization of 7,688 procedures by Year 3. When does the applicant expect to achieve the optimal utilization standard for the unit? Is this consistent with historical utilization of the 2 existing units at the EMXC's main hospital campus? Please explain.

Item 2.a - based on the responses to the 12/18/14 supplemental response, the applicant explained that it has understated annual utilization in reports to the HSDA Equipment Registry. The applicant's revised linear accelerator volumes compared to current HSDA utilization data on record are shown in the table below.

Year	Revised Procedures CN1412-048 (Item 15, Supplemental 1)	Current Procedures as Reported to HSDA
2011	9,756	8,837
2012	10,134	9,516
2013	9,934	9,519

Please revise the historical utilization in both tables of this item. Important note: in order to complete our initial review of the application, the revised linear accelerator procedures with supporting detail such as a breakout by CPT codes and reasons for the change must be reported to HSDA. Please contact Alecia Craighead, HSDA Stat III, to revise the data.

Item 7- HSDA Equipment Registry Reports: as noted above for Item 2.a. The applicant has reported different historical utilization for EMC in the 12/18/14 supplemental response to CN0412-048. Please contact Ms. Craighead to report the new amounts for 2011 - 2013.

Response

Pertaining to *Item 1.a*, the responses to *Criteria For megavoltage Radiation Therapy Services* are attached to this supplemental information.

Concerning whether the Linear Accelerator at *Erlanger East Hospital* will reach the optimal procedure standard of 7,688 procedures, it is difficult to determine. This is due to population growth in East Hamilton County and a trend toward a lower volume of fraction treatments per patient with advances in new technology.

We do expect the minimal threshold of 6,000 procedures to be achieved in year 4. Our forecast of patients originating from points East of Chattanooga will increase the patient volume to approximately 305 patients in year 5. This is a slightly higher volume than *Erlanger* would experience if both Linear Accelerators remained on our main campus.

Pertaining to Item 2.a, the tables showing historical utilization for the radiation therapy service have been revised and appear below. We have notified Ms. Craighead that we will be reporting revised data to her for 2011, 2012 and 2013.

EHS -- Analysis Of Linear Accelerator Utilization In Southeast Tennessee

County	Type	Facility Name	Year	No. Of Lin Ac's	Total Treatments	Avg. Proc's Per Unit	Distance From Erlanger East Hospital	Utilization By Residents Of Svc. Area
Hamilton	HOSP	Erlanger Medical Center	2011	2.0	9,756	4,878	9.4 Miles	7,089
Hamilton	HOSP	Memorial Hospital	2011	3.0	19,187	6,396	8.6 Miles	15,229
Hamilton	HOSP	Parkridge Medical Center	2011	2.0	3,672	1,836	8.3 Miles	2,679
Bradley	RAD	Cleveland Regional Cancer Center	2011	1.0	5,327	5,327	22.1 Miles	213
McMinn	ASTC	Athens Regional Cancer Center	2011	1.0	3,035	3,035	49.5 Miles	104
		Total >>>>>		9.0	40,977	4,553		25,314
Hamilton	HOSP	Erlanger Medical Center	2012	2.0	10,134	5,067	9.4 Miles	7,922
Hamilton	HOSP	Memorial Hospital	2012	3.0	14,914	4,971	8.6 Miles	11,728
Hamilton	HOSP	Parkridge Medical Center	2012	2.0	4,120	2,060	8.3 Miles	3,221
Bradley	RAD	Cleveland Regional Cancer Center	2012	1.0	5,018	5,018	22.1 Miles	189
McMinn	ASTC	Athens Regional Cancer Center	2012	1.0	2,717	2,717	49.5 Miles	84
		Total >>>>>		9.0	36,903	4,100		23,144
Hamilton	HOSP	Erlanger Medical Center	2013	2.0	9,934	4,967	9.4 Miles	7,676
Hamilton	HOSP	Memorial Hospital	2013	3.0	16,734	5,578	8.6 Miles	12,839
Hamilton	HOSP	Parkridge Medical Center	2013	2.0	3,693	1,847	8.3 Miles	2,822
Bradley	RAD	Cleveland Regional Cancer Center	2013	1.0	5,473	5,473	22.1 Miles	
McMinn	ASTC	Athens Regional Cancer Center	2013	1.0	2,732	2,732	49.5 Miles	
		Total >>>>>		9.0	38,566	4,285		23,337

** NOTE - Per data received from Alecia Craighead at HSDA, Cleveland Regional and Athens Regional Cancer Centers were not listed for 2013. Also, *Erlanger* data has been restated to reflect a correction in the total procedures.

10 County Tennessee Service Area Historical Utilization

Facility	No. Of Units	====== Total Procedures ====== 2011	2012	2013	% Change 2011 - 2013	2013 Trmts. Per Unit As % Of Std.
10 County Service Area	9	40,977	36,903	38,566	-5.9%	55.7%
EMC Main Campus	2	9,756	10,134	9,934	1.8%	64.6%
EMC As % Of Providers	22.2%	23.8%	27.5%	25.8%	8.4%	116.0%

** NOTE - *Erlanger* and service area data have been restated to reflect a correction in *Erlanger's* total procedures.

Pertaining to *Item* 7, we have notified Ms. Alecia Craighead of the change in reported volumes for the radiation therapy service at *Erlanger Medical Center* and Mr. Mike Lee of the Erlanger Accounting Dept. will follow-up with to provide more detailed data and information.

6.) Section C, Need, Item 5 (Historical Utiization).

As noted in question 5 above, the applicant has revised the historical utilization for its radiation therapy service. The utilization for EMC in the table provided for the response to this item (page 12) should be consistent with the applicant's historical volumes reported in the 12/18/14 supplemental response to CN0412-048. Please contact Alecia Craighead to

report the changes, and then revise both tables provided in the response for this item.

Response

The tables showing historical utilization for the radiation therapy service have been revised and appear below. We have notified Ms. Craighead that we will be reporting revised data to her for 2011, 2012 and 2013.

EHS -- Analysis Of Linear Accelerator Utilization In Southeast Tennessee

County	Type	Facility Name	Year	No. Of Lin Ac's	Total Treatments	Avg. Proc's Per Unit	Distance From Erlanger East Hospital	Utilization By Residents Of Svc. Area
Hamilton	HOSP	Erlanger Medical Center	2011	2.0	9,756	4,878	9.4 Miles	7,089
Hamilton	HOSP	Memorial Hospital	2011	3.0	19,187	6,396	8.6 Miles	15,229
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		Total >>>>>		9.0	40,977	4,553		25,314
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Hamilton	HOSP	Memorial Hospital	2012	3.0	14,914	4,971	8.6 Miles	11,728
Hamilton	HOSP	Parkridge Medical Center	2012	2.0	4,120	2,060	8.3 Miles	3,221
Bradley	RAD	Cleveland Regional Cancer Center	2012	1.0	5,018	5,018	22.1 Miles	189
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		Total >>>>>		9.0	36,903	4,100		23,144
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Bradley	RAD	Cleveland Regional Cancer Center	2013	1.0	5,473	5,473	22.1 Miles	
McMinn	ASTC	Athens Regional Cancer Center	2013	1.0	2,732	2,732	49.5 Miles	
		Total >>>>>		9.0	38,566	4,285		23,337

** NOTE - Per data received from Alecia Craighead at HSDA, Cleveland Regional and Athens Regional Cancer Centers were not listed for 2013. Also, *Erlanger* data has been restated to reflect a correction in the total procedures.

10 County Tennessee Service Area Historical Utilization

Facility	No. Of Units	====== Total Procedures ====== 2011	2012	2013	% Change 2011 - 2013	2013 Trmts. Per Unit As % Of Std.
10 County Service Area	9	40,977	36,903	38,566	-5.9%	55.7%
EMC Main Campus	2	9,756	10,134	9,934	1.8%	64.6%
EMC As % Of Providers	22.2%	23.8%	27.5%	25.8%	8.4%	116.0%

** NOTE - *Erlanger* and service area data have been revised to reflect a correction in *Erlanger's* total procedures.

We have notified Ms. Alecia Craighead of the change in reported volumes for the radiation therapy service at *Erlanger Medical Center* and the Erlanger Accounting Dept. will follow-up with to provide more detailed data and information.

SUPPLEMENTAL #2
December 29, 2014
9:46 am

7.) Section C, Economic Feasibility, Item 4 (Historical & Projected Data Charts).

The Projected Data Chart for the hospital's radiation therapy service as a whole that identifies the utilization and financial performance of EMC's 2 linear accelerator units at both locations is noted. Please complete the table below illustrating key aspects of the EMC radiation therapy service's financial performance from 2013 to Year 2 of the project.

Year	Utilization	Gross Revenue	Average Gross Revenue per procedure	Net Operating Income (NOI)	NOI as a % of Total Gross Operating Revenue
2013					
2014 (estimated)					
Year 1					
Year 2					
% Change '13 to Year 2					

Response

The revised data table appears below.

Average Gross Charge Trend - EMC Radiation Therapy Service

Year	No. of Linear Accel. Units	EMC Rad. Therapy Treatments	Average Gross Revenue	Avg. Gross Charge Per Treatment	Net Operating Income	NOI As % Of Total Gross Oper. Rev.
2011	2	9,756	10,187,232	1,044	571,584	5.6%
2012	2	10,134	9,856,589	973	532,697	5.4%
2013	2	9,934	8,225,632	828	385,712	4.7%
% Change - 2011-2013		1.8%	-19.3%	-20.7%	-32.5%	-16.1%
2014 - Estimated	2	9,559	9,595,231	1,004	782,682	8.2%
2015 - Projected	2	9,747	10,079,568	1,034	806,889	8.0%
Year 1	2	10,604	12,672,270	1,195	206,994	1.6%
Year 2	2	11,330	13,821,266	1,220	20,404	0.1%
% Change - 2013-Year 2		14.1%	68.0%	47.3%	-94.7%	-97.9%

8.) Section C, Economic Feasibility, Question 5.

The gross revenue amounts and in the table provided in the response for this item are different (and lower) than the amounts provided on page A-12 of the Projected Data Chart for the EMC radiation therapy service. As a result, the average Year 1 and Year 2 gross charges in the table provided in the response are lower than the amounts that follow from the Projected Data Chart ($1,195 in Year 1 and $1,220 in Year 2). Please make the necessary revisions and changes to the gross revenue and average gross charge columns of the table such that the amounts are consistent with the Projected Data Chart provided in Supplemental 1.

Response

The revised data table appears below.

Average Gross Charge Trend - EMC Radiation Therapy Service

Year	No. of Linear Accel. Units	EMC Rad. Therapy Treatments	Average Gross Revenue	Avg. Gross Charge Per Treatment
2011	2	9,756	10,187,232	1,044
2012	2	10,134	9,856,589	973
2013	2	9,934	8,225,632	828
% Change - 2011-2013		1.8%	-19.3%	-20.7%
2014 - Estimated	2	9,559	9,595,231	1,004
2015 - Projected	2	9,747	10,079,568	1,034
Year 1	2	10,604	12,672,270	1,195
Year 2	2	11,330	13,821,266	1,220
% Change - 2013-Year 2		14.1%	68.0%	47.3%

9.) Section C, Economic Feasibility, Questions 6.A And 6.B.

The response is noted. For Item 6.A, please also compare the proposed charges by procedure classification provided on pages A-13 and A-14 to the current Medicare Allowable fee schedule.

Response

The detail charges related to the radiation therapy service with comparative data to the Medicare Allowable Fee Schedule is attached to this supplemental information.

10.) **Section C, Economic Feasibility, Item 9.**

The response is noted. Please show the total gross revenue amounts for EMC's service in Year 1 by payor mix in the table below. Please note that *the projected payor mix should be based on 2 units in operation during the first year of the project - 1 at EMC's main campus & 1 at Erlanger East*)

EMC's Radiation Therapy Service Payor Mix, Year 1

Payor Source	Year 1 EMC total gross revenue	as a % of total gross revenue
Medicare		
Tenncare		
Managed care		
Commercial		
Self-Pay		
Other		
Total		

Response

The table information requested is below.

EHS's Radiation Therapy Service Payor Mix - Year 1

Payor Source	Year 1 EHS Gross Revenue	As A % Of Total Gross Revenue
Medicare	5,461,748	43.1%
TennCare	1,571,361	12.4%
Managed Care	1,938,857	15.3%
Commercial	2,863,933	22.6%
Self-Pay	278,790	2.2%
Other	557,581	4.4%
Total	12,672,270	100.0%

SUPPLEMENTAL #2
December 29, 2014
9:46 am

11.) **Section C, Contribution To Orderly Development, Item 7.C.**

The plan of correction on pages A-17 - A-50 is noted. However, acceptance of the POC by an authorized representative of the Department of Health appears to have been omitted from the response. Please provide the documentation.

Response

A copy of the acceptance letter from the Centers For Medicare & Medicaid Services is attached to this supplemental information.

SUPPLEMENTAL #2
December 29, 2014
9:46 am

A F F I D A V I T

STATE OF TENNESSEE |
|
COUNTY OF HAMILTON |

NAME OF FACILITY Erlanger East Hospital

I, Joseph M. Winick, after first being duly sworn, State under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

SIGNATURE

SWORN to and subscribed before me this 23 of December (Month), 2014 (Year), a Notary Public in and for the State of Tennessee, County of Hamilton.

Shelia Hall
NOTARY PUBLIC

SHELIA HALL
STATE OF TENNESSEE NOTARY PUBLIC
HAMILTON COUNTY

My commission expires June 9 (Month / Day), 2018.

SUPPLEMENTAL #2
December 29, 2014
9:46 am

TABLE OF ATTACHMENTS

SUPPLEMENTAL #2
December 29, 2014
9:46 am

** NOTE - The attachments are paginated and the page number begins with "A". The page number appears in the upper right hand corner of the page.

SUPPLEMENTAL #2

December 29, 2014

9:46 am

ATTACHMENTS

Standards & Criteria For Megavoltage Radiation Therapy Services

1.) Utilization Standards For MRT Units.

a. Linear Accelerators not dedicated to performing SRT and/or SBRT procedures:

i. Full capacity of a Linear Accelerator MRT unit is 8,736 procedures, developed from the following formula: 3.5 treatments per hour, times 48 hours (6 days of operation, 8 hours per day, or 5 days of operation, 9.6 hours per day), times 52 weeks.

Response

Concerning whether the Linear Accelerator at *Erlanger East Hospital* will reach the optimal procedure standard of 7,688 procedures, it is difficult to determine. This is due to population growth in East Hamilton County and a trend toward a lower volume of fraction treatments per patient with advances in new technology.

ii. Linear Accelerator Minimum Capacity: 6,000 procedures per Linear Accelerator MRT Unit annually, except as otherwise noted herein.

Response

While the Linear Accelerator at *Erlanger East Hospital* is not estimated to meet the minimum capacity of this criterion in years 1 and 2; it is estimated to reach that threshold in year 4.

iii. Linear Accelerator Optimal Capacity: 7,688 procedures per Linear Accelerator MRT Unit annually, based on a 12% average downtime per MRT unit during normal business hours annually.

Response

Concerning whether the Linear Accelerator at *Erlanger East Hospital* will reach the optimal procedure standard of 7,688 procedures, it is difficult to determine. This is due to population growth in East Hamilton County and a trend toward a lower volume of fraction treatments per patient with advances in new technology.

iv. **An applicant proposing a new Linear Accelerator should project a minimum of at least 6,000 MRT procedures in the first year of service in it's Service Area, building to a minimum of 7,688 procedures per year by the third year of service and for every year thereafter.**

Response

While the Linear Accelerator at *Erlanger East Hospital* is not estimated to meet the optimal capacity of this criterion, it should be noted that this is a replacement unit; not a "new" unit that is being added to the service area.

[End Of Responses To Standards & Criteria For Megavoltage Radiation Therapy Services – 2011, Item 1.a, pages 24-30.]

Department of Health & Human Services
Centers for Medicare & Medicaid Services
61 Forsyth Street, SW, Suite 4T20
Atlanta, Georgia 30303-8909

Reference M:2014.Erlanger.Med.Ctr.440104.Co.No.33779.11.18.14.accept.poc

December 8, 2014

Mr. Kevin Spiegel, CEO
Erlanger Health System
975 E. 3rd Street
Chattanooga, Tennessee 37403

RE: Erlanger Health System
CMS Certification Number (CCN) 44-0104
EMTALA Complaint Control Number: TN00033779

Dear Mr. Spiegel:

I am pleased to inform you that the plan of correction for *Erlanger Medical Center Hospital* has been reviewed and found to be acceptable.

When the Tennessee State Agency has determined that the noncompliance with EMTALA requirements has been corrected during their revisit, CMS will withdraw its current termination action. Failure to correct the deficient practice by **February 16, 2014**, will result in the termination of your Medicare provider agreement.

A copy of this letter is being forwarded to the Tennessee State Agency.

We thank you very much for your cooperation and look forward to working with you on a continuing basis in the administration of the Medicare program. Please contact our office if you have any questions and speak with Rosemary Wilder at 404-562-7452 or email: rosemary.wilder@cms.hhs.gov.

Sincerely yours,

Sandra M. Pace
Associate Regional Administrator

cc: North Carolina State Agency

Charge Code	Description	CPT Code	Primary Price	Medicare OPPS Rate
40000046	B 6-10 MEV-COMPLEX TREATMENT	77415	575.02	OPPS - Not Payable
40000051	B 6-10 MEV-INTERM TREATMENT	77408	445.00	177.31
40000069	B 6-10 MEV-SIMPLE TREATMENT	77403	382.00	96.14
40000077	C 11-19 MEV-COMPLEX TREATMENT	77414	575.00	177.31
40000085	C 11-19 MEV-INTERM TREATMENT	77409	445.00	177.31
40000093	C 11-19 MEV-SIMPLE TREATMENT	77404	382.00	96.14
40000101	D >=20 MEV-COMPLEX TREATMENT	77416	575.00	177.31
40000119	D >=20 MEV-INTERM TREATMENT	77411	445.00	177.31
40000127	D >=20 MEV-SIMPLE TREATMENT	77406	382.00	177.31
40000135	TX DEVC BLOCK-COMPLEX	77334	818.00	196.86
40000143	TX DEVC BLOCK-INTERM	77333	628.00	196.86
40000150	TX DEVC BLOCK-SIMPLE	77332	628.00	196.86
40000192	TX DEVC-SPECIAL-INTERMEDIATE	77333	628.00	196.86
40000226	DOSIMETRY-BASIC	77300	404.00	105.72
40000259	DOSIMETRY-TLD	77331	393.00	105.72
40000267	TX DEVC - IMMOBLIZATION	77334	818.00	196.86
40000275	INTERSTL APPL-COMPLEX	77778	2790.00	920.18
40000283	INTERSTL APPL-INTERMEDIATE	77777	2698.00	333.15
40000291	INTERSTL APPL-SIMPLE	77776	2698.00	333.15
40000309	INTRACAV APPL-COMPLEX	77763	1125.00	333.15
40000317	INTRACAV APPL-INTERMEDIATE	77762	1125.00	333.15
40000325	INTRACAV APPL-SIMPLE	77761	1125.00	333.15
40000333	ISOPLAN BRACHY-COMPLEX	77328	1626.00	287.12
40000341	ISOPLAN BRACHY-INTERMED	77327	1354.00	287.12
40000358	ISOPLAN BRACHY-SIMPLE	77326	1084.00	105.72
40000366	ISOPLAN TELE-COMPLEX	77315	1061.00	287.12
40000374	ISOPLAN TELE-INTER	77310	729.00	105.72
40000382	ISOPLAN TELE-SIMPLE	77305	581.00	105.72
40000390	ISOPLAN TELE-SPECIAL	77321	1122.00	287.12
40000408	LOCALIZATION FILM	77417	139.00	OPPS - Not Payable
40000416	OCULAR THERAPY	77789	52.00	177.31
40000424	PHYSICS-CONT. RADIATION	77336	451.00	105.72
40000432	PHYSICS-SPEC. CONSULT	77370	528.00	105.72
40000440	SIMULATION, COMPLEX	77290	1682.00	287.12
40000457	SIMULATION, INTERMEDIATE	77285	1357.00	287.12
40000465	SIMULATION, SIMPLE	77280	864.00	105.72
40000606	BRACHYTHERAPY HANDLING	77790	276.00	OPPS - Not Payable
40000671	SIM-3-D GUIDED	77295	7282.00	955.68
40000689	SPECIAL-BRACHYTHERAPY	77470	1548.00	381.04
40000697	SPECIAL-COMBINATION RT/CHEMO	77470	1548.00	381.04
40000705	SPECIAL-CONFORMAL MANAGEMENT	77470	1548.00	381.04
40000721	SPECIAL-HYPERFRACTIONATION	77470	1548.00	381.04
40000747	SPECIAL-STEREOTACTIC RADIOSURG	77470	1548.00	381.04
40000754	SPECIAL-TIME CONSUMING PROCEDU	77470	1548.00	381.04
40000788	CT GUIDANCE,RAD THERP FLDS	77014	1360.00	OPPS - Not Payable
40000804	OMNIPAQUE 240	Q9966	4.30	OPPS - Not Payable
40000820	OUTPATIENT VISIT LEVEL 1 - NEW	99201	135.00	OPPS - Not Payable
40000838	OUTPATIENT VISIT LEVEL 2 - NEW	99202	178.00	OPPS - Not Payable
40000846	OUTPATIENT VISIT LEVEL 3 - NEW	99203	245.00	OPPS - Not Payable
40000853	OUTPATIET VISIT LEVEL 4 - NEW	99204	360.00	OPPS - Not Payable
40000861	OUTPATIENT VISIT LEVEL 5 - NEW	99205	443.00	OPPS - Not Payable

EHS -- List Of Charge Codes For Radiation Therapy **December 29, 2014**
9:46 am

Charge Code	Description	CPT Code	Primary Price	Medicare OPPS Rate
40000879	OUTPATIENT VISIT LEVEL 1 - EST	99211	135.00	OPPS - Not Payable
40000887	OUTPATIENT VISIT LEVEL 2 - EST	99212	178.00	OPPS - Not Payable
40000895	OUTPATIENT VISIT LEVEL 3 - EST	99213	245.00	OPPS - Not Payable
40000903	OUTPATIENT VISIT LEVEL 4- EST	99214	360.00	OPPS - Not Payable
40000911	OUTPATIENT VISIT LEVEL 5 - EST	99215	443.00	OPPS - Not Payable
40001067	IODINE-125 NON STRND BRACHY SD	C2639	0.00	37.36
40001083	HDR AFTERLOAD 2-12 CHANNELS	77786	1948.00	676.65
40001117	PLANNING IMRT	77301	4287.00	955.68
40001125	DELIVERY DOSE IMRT	77418	2215.00	470.71
40001133	HDR AFTERLOAD >12 CHANNELS	77787	1948.00	676.65
40001141	SRS TREATMENT DELIVERY	77372	6938.00	3311.93
40001166	VAGINAL RADIOGRAPHIC MARKER		25.00	0.00
40001174	RECTAL RADIOGRAPHIC MARKER		25.00	0.00
40001224	ECHO GUIDANCE RAD FIELDS	76950	108.00	OPPS - Not Payable
40001240	BRACHY CATHETERS	C1728	168.00	OPPS - Not Payable
40001265	BRACHTHERAPY SOURCE HDR IR 192	C1717	556.00	256.58
40001299	CT GUIDED LOC STEREO	77011	856.00	OPPS - Not Payable
40001307	INS UTERINE TNDM/VAGINAL OVOID	57155	930.00	1268.1
40001315	HDR AFTERLOAD 1 CHANNEL	77785	1621.00	676.65
40001323	MLC DEVICE(S) IMRT TX	77338	606.00	287.12
40001331	INS VAG RAD AFTLD APPARATUS	57156	537.00	174.68
40010019	GLUCOSE FINGER STICK	82962	40.00	OPPS - Not Payable
40010027	VENOUS PHLEBOTOMY FEE	36415	20.00	OPPS - Not Payable
40010035	TRANSFUSION BLOOD OR BLD COMP	36430	552.00	262.96
40010043	STEREOTACTIC XR GUIDANCE	77421	316.00	OPPS - Not Payable
40010050	SBRT/FX 1 OR GRTR INC IMG GUID	77373	3313.00	1771.67
40010068	RESP MOT MGMT SIMUL ADD ON	77293	863.00	OPPS - Not Payable

East Linear Accelerator Service Support Budget Estimate.					
Item	Year 1	Year 2	Year 3	Year 4	Year 5
Varian TruBeam	$18,000	$0	$0	$0	$0
Varian TruBeam	$0	$255,994	$255,994	$255,994	$255,994
Siemens Somatom Definition AS20 CT	$9,000	$0	$0	$0	$0
Siemens Somatom Definition AS20 CT		$68,146	$68,146	$68,146	$68,146
Siemens Syngo Multimodality		$6,456	$6,456	$6,456	$6,456
Laser Marking System		$4,200	$4,200	$4,200	$4,200
CT Injector		$4,000	$4,000	$4,000	$4,000
DoseView 3D Annual Software & DoseView 3D Annual Hardware		$7,450	$7,450	$7,450	$7,450
PIPSpro Annual Software Maintenance Main + Additional		$500	$500	$500	$500
1 Year Software Technology Upgrade Guarranty		$6,000	$6,000	$6,000	$6,000
Clinical Engineering Net New Support Hours, East Travel	$3,000	$4,500	$4,500	$4,500	$4,500
Totals	$30,000	$357,246	$357,246	$357,246	$357,246

Total >>>>> $1,458,984

VARIAN
medical systems

Quotation

GRB20141008-001

Quotation Prepared For:

Tony Dotson
ERLANGER MEDICAL CENTER
Radiation Oncology
Regional Cancer Center
975 East 3rd Street
Chattanooga, TN 37401
(423) 778 - 7339 FAX: (423) 778 - 3168

Please address inquiries and replies to:

Glenn R. Barrow
Varian Medical Systems
2250 Newmarket Parkway
Suite 120
Marietta, GA 30067
(404) 229 - 5284 FAX: (678) 255 - 3850
glenn.barrow@varian.com

Your Reference:	*Quotation Valid Until:* **March 13, 2015**
Comments:	**Attachment 1** *Service Level Specifications* **Attachment 2** *Quotation Details* **Attachment 3** *Legal Specifications*

Covered Equipment and Services
TrueBeam - Essentials

Customer Representative:	**Varian Representative:**
Signature: _____	_____
Name: _____	**Name: Glenn R. Barrow**
Title: _____	**Title: District Sales Manager**
Date: _____	**Date: October 8, 2014**

Payment Terms - Net 30 days from invoice date

VARIAN
medical systems

GRB20141008-001

ERLANGER MEDICAL CENTER, Chattanooga, TN

Item	Support Description	Price

Section 1 TrueBeam - Essentials

PremierAssurance Essentials

The PremierAssurance Essentials Service Level Agreement (SLA) provides you with a comprehensive solution to meet your needs and keeps your equipment continuously under Varian care.

- **PMI Non-Standard Hours**

  Varian will perform the full program for the Periodic Maintenance Inspections (PMI) annually, in accordance with Varian recommendations. The PMI will be performed during Varian's standard or non-standard business hours on weekdays at mutually agreed upon dates and times. The quantity and frequency of the inspections will depend on the system configuration.

- **Uptime Performance Guarantee 97%**

  Varian guarantees that the covered system described at the end of this section will achieve an uptime of 97% or better. Guidelines for calculating uptime are provided in Attachment 2.

- **Mandatory Upgrades Coverage**

  Varian will perform all mandatory safety and reliability modifications for the covered equipment during standard business hours at mutually agreed upon dates and times.

- **Opt Firmware and Console Software Upgr**

  Varian will provide all optional upgrades to software embedded or installed on the treatment delivery systems, its sub components (i.e. MLC, KV – MV imager, CBCT, OBI, Respiratory Gating) and all treatment consoles for the covered equipment.

  Upgrades will be performed only when they become necessary due to an upcoming Varian OIS or TPS upgrade, in order to get the delivery system compatible with the prospective OIS or TPS version.

  Varian may install upgrades remotely or on-site. Firmware and console software upgrades will be performed during standard business hours at mutually agreed upon dates and times unless a non-standard hours coverage option has also been purchased.

- **Discounted Labor Rates**

  This entitles the Customer to a discount from the published standard labor rate for any service performed that is not covered under the Service Level Agreement.

- **Comprehensive Parts Coverage**

  Varian will provide all parts necessary to keep the covered equipment functioning normally, including all glass parts, vacuum parts, X-ray tubes and imaging panels but excluding consumables as defined in Attachment 2.

- **NFO and Special Freight Handling**

  Varian will undertake every business effort to transport the parts to customer site as fast as reasonably possible.

- **Discounted Parts Pricing**

  This entitles the Customer to a 10% discount from list price for parts purchased that are not covered under the Service Level Agreement.

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ERLANGER MEDICAL CENTER, Chattanooga, TN

Item	Support Description	Price

- **Coverage For Selected Tx Room Components**

  Varian will provide coverage for selected non Varian manufactured equipment and parts that are part of the treatment room environment. Covered treatment room components are listed in Attachment 2.

- **OSL Non-Standard Hours**

  Varian will provide on-site field service support for the covered equipment during standard and non-standard business hours for issues that cannot be resolved by telephone or through remote support over SmartConnect®.

- **On-site Emergency Labor (OSEL)**

  Varian will provide on-site emergency field service support for the covered equipment for issues that cannot be resolved by telephone or through remote support SmartConnect®. Emergency field service support includes non-standard business hours coverage, only to the extent the number of such visits remains within Varian's customary practice.

  To qualify as an emergency service event, Customer must declare the equipment "down," cease treatment and make the equipment available to Varian service personnel immediately.

- **Discounted Training**

  This entitles the Customer to a 30% discount from list price on all available Varian classroom trainings or training credits published in the Varian sales catalog, in any Varian training facility available worldwide.

- **Remote Access**

  Varian will provide remote diagnostics and support during standard business hours for service of a defect or an error that cannot be resolved by telephone or e-mail.

- **Help Desk Support Technical (HDST)**

  Varian's help desk specialists will provide technical support for the covered equipment over telephone and e-mail during standard business hours.

- **Unlimited Help Desk Sup. Clinical (HDSC)**

  Varian's help desk specialists will provide clinical product support for the covered equipment over telephone and e-mail during standard business hours.

- **Remote Access Discount**

- **Point of Sale Discount**

  Customer is entitled to a Point of Sale (POS) discount if this Service Level Agreement (SLA) is purchased at the point of equipment sale. A minimum duration of 3 years is required to qualify for this discount.

  Coverage under a Point of Sale SLA will commence upon the expiration of the warranty on the covered system.

Covered Equipment

TrueBeam Serial Number: TBD

MLC 120 Serial Number: TBD

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Attachment 1

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ERLANGER MEDICAL CENTER, Chattanooga, TN

Item	Support Description	Price
	MV Imager Serial Number: TBD	
	KV Imager Serial Number: TBD	
	Rapid Arc Serial Number: TBD	
	Optical Imaging Serial Number: TBD	
	Agreement Total $	2,303,946

End of Support: Varian may terminate the Agreement at the end of support of the Product that is the object of the Support Services by giving twenty-four (24) months written notice to the Customer. However, Varian may shorten this notice period in its sole discretion if termination is required due to key component obsolescence issues or product quality concerns.

Attachment 1

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ERLANGER MEDICAL CENTER, Chattanooga

Payment Schedule

Grand Total: $2,303,946.00

Annually	Year 1	Year 2	Year 3	Year 4	Year 5
1. TrueBeam - Essentials	$255,994.00	$255,994.00	$255,994.00	$255,994.00	$255,994.00
	$255,994.00	$255,994.00	$255,994.00	$255,994.00	$255,994.00

Annually	Year 6	Year 7	Year 8	Year 9	
1. TrueBeam - Essentials	$255,994.00	$255,994.00	$255,994.00	$255,994.00	
	$255,994.00	$255,994.00	$255,994.00	$255,994.00	

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Attachment 2

General Conditions for PremierAssurance Essentials and Elite contracts for Delivery Systems

1. Customer Responsibilities/Pre-requisites/Exclusions

Remote Access for Software Support:
Customers must have a Remote Service (SmartConnect) connection enabled in order to receive remote service and help desk support. The SmartConnect tool is provided by Varian as part of this agreement. Varian may install upgrades and updates remotely. If a remote connection is not provided or the type of remote connection does not allow the use of SmartConnect, Varian reserves the right to charge the customer for any additional labor and travel expenses associated with performing services including upgrade installations on-site. Costs for any additional software and hardware associated with providing the connectivity for this remote connection are the Customer's responsibility.

Additional Hardware:
Unless otherwise agreed, the Customer is responsible for purchasing any additional hardware, network capacity, or other system components that have been identified by Varian as being required to install and operate any upgrade or purchasable option. Varian shall not be required to install or support any upgrade release or purchasable option if the Customer has not obtained the required hardware, network capacity and other system components.

Clinac Hardware Anti Obsolescence Protection:
If this entitlement is included in the contract, the customer will receive upgrades or replacements to the covered computer hardware within the contract period if the covered hardware does not meet the minimum specifications required to install an upgrade. The option covers all the computer hardware associated with the Treatment Delivery System, its sub components including the MLC, KV – MV imager, CBCT, Respiratory Gating and all treatment consoles. In the absence of this option, the customer is responsible for ensuring their computer hardware meets the specified requirements in order to receive the software upgrade. Please refer to the Varian Web Site (www.varian.com/hardwarespecs) for information on the current hardware specifications necessary to support the new software upgrade.

2. Renewals in the event of lapse in coverage

The SLA may be renewed, at Varian's sole discretion, for a maximum period of one year in the event of a lapse in contract coverage between the expiration of the original contract and the signing of a renewal. The renewal price will be based on the customer's configuration at the time of renewal and will include any additional components, licenses or add-ons that were not part of the original SLA or were not added to the SLA during its original term. Renewals will be based on Varian's most current support contract pricing.

3. Contract Uplifts

This SLA price will be increased to reflect the incremental value of any additional sub-equipment, features or "Purchase Options" acquired during the period of the contract. This contract increment will go into effect at the end of the warranty period at a pro-rated charge that will be calculated based on the number of months remaining from the end of the warranty until the anniversary date of the Agreement.

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Attachment 2

4. Installation Note

The lead time for the installation of upgrades may vary. Please confirm availability and installation timing of the Upgrade with your Varian representative.

5. Contingencies

This Agreement is contingent on the customer meeting all pre-requisites and fulfilling all customer responsibilities identified in this quotation and in the accompanying documentation.

6. Validity of Quote

The PremierAssurance Agreement presented in this quotation is valid only for the listed items described in this quotation and will expire on the date identified on the cover sheet of this quotation.

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Attachment 2

Definitions for Uptime 97%

The uptime statistics will be evaluated for each successive 12-month agreement period. Should the system fail to achieve the required uptime of 97%, and the failure is attributable to Varian, then the following year's support agreement will be adjusted according to the schedule below.

Uptime %	Credit
97.0 – 100.0	None
95.5 – 96.9	3%
95.4 and LOWER	6%

1. Prerequisites for an "Uptime Performance Guarantee" are
   a. The remote service product "Smart Connect" must be installed, and its full functionality must be enabled including granting access to Varian remote service personnel via a fast internet connection.
   b. All spare parts must be purchased from Varian and assembled by a certified Varian engineer.

2. The reduction in the agreement fee constitutes the sole and exclusive remedy for failure to meet the 97% uptime performance guarantee. Should the customer elect not to purchase a subsequent support agreement, the 97% uptime guarantee will not apply.

3. Uptime will be calculated using the following formula:

$$\text{UPTIME} = \frac{\text{BASIS} - \text{DOWNTIME}}{\text{BASIS}} \times 100$$

BASIS - Total treatment hours less total scheduled maintenance hours performed during normal business hours. **Scheduled maintenance** includes modifications, upgrades, planned maintenance, or any other mutually agreed upon discretionary service activity. Total treatment hours definition:

- Correspond to the standard office hours of the local Varian office
- Maximum 9 hours per day and 5 working days per week

DOWNTIME - The period of time in hours (calculated to the nearest 15 minutes) during which the Oncology system is inoperable to the point that it cannot be used for clinical purposes.
Downtime will be calculated based on the Varian dispatch reports and a review of service activity as described in the required Electronic Field Service Reports. Downtime will commence when the customer notifies Varian's Customer Service Center that the system is inoperable and available for service.

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Attachment 2

Downtime ends once repairs are completed and the Oncology system is again available for clinical use. *"Hours that are outside of the window established by the BASIS defined above are excluded from calculation of downtime."*

4. During the agreement period, Varian will, at mutually agreed upon intervals, meet with the customer to review machine performance and downtime statistics.

5. Downtime as a result of circumstances beyond Varian's control, including but not limited to, acts of God, negligence, misuse, power and environmental failures, will be excluded from the calculations.

6. The uptime guarantee will remain in effect as long as the Oncology system is continuously supported by the selected Service Level Agreement.

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Attachment 2

Coverage for selected Tx Room components

- CCTV monitors and cameras
- Lasers for patient positioning
- Intercom system
- In- Room Monitors

Labor Rates

	Standard Hours	Non-Standard Hours
Customer Support Representative* *(2-hour minimum)*	$385/hour	$580/hour
Product Support Engineer/Product Specialist* *(2-hour minimum)*	$580/hour	$870/hour
Applications & Clinical Help Desk Support* *(30-minute minimum)*	$385/hour	$580/hour
On-Site Applications Support *(2-day minimum, includes travel)*	$5,000/day	$10,000/day

*On-site, remote (off-site) support or travel

Any involvement of a Product Support Engineer or Product Specialist requires the presence of the local Customer Support Representative and will be invoiced accordingly, unless previous arrangements are made between the local District Customer Support Manager and Customer Representative.

Unless a Non-standard hours coverage option is included in the selected Service Level Agreement, Customers may request that service be performed during Non-Standard hours and authorization to approve Customer's request lies solely with the respective District Service Manager. Where such requests are approved, Customer will be invoiced at the Standard Hours rate with a 20% discount. The billing rates for Non-Standard hours service for Customers with a Varian Service Level Agreement (SLA) is $308/hour for a Customer Support Representative and $464 per hour for a Product Support Engineer/Product Specialist.

All rates are subject to change without prior notification.

Working Hours

"Standard Hours" (formerly "Normal Hours") are from 8 A.M. to 5 P.M. on Mondays through Fridays, not including Varian holidays

"Non-Standard Hours" (formerly "Non-Normal Hours") are from 5 P.M. to 8 A.M. (following day), Sunday through Saturday, including Varian holidays

List of U.S. Holidays

1. New Year's Day
2. Presidents' Day
3. Good Friday
4. Memorial Day
5. Independence Day
6. Labor Day
7. Thanksgiving Day
8. Day after Thanksgiving
9. Christmas Holiday 1
10. Christmas Holiday 2

Legal Specifications

This section contains legal Terms and Conditions governing this Service Level Agreement.

Form RAD1652U – Terms and Conditions of Sale

Form RAD10203 – Service Support Datasheet

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VARIAN MEDICAL SYSTEMS, INC.
3100 Hansen Way, Palo Alto, CA 94304
("Varian")

Terms and Conditions of Sale

Form RAD 1652U 12/11
VARIAN MEDICAL SYSTEMS, INC. ("Varian")

GENERAL TERMS

These General Terms shall apply to all Products and Services sold by Varian to Customer under this Agreement.

1. Applicable Terms and Conditions

These Terms and Conditions of Sale, including any exhibits, schedules, addenda, and other attachments (collectively, the "**Agreement**"), shall govern Varian's furnishing of all products ("**Products**"), including hardware products manufactured by Varian ("**Varian Hardware**"), third party hardware products that are integrated into a Varian Product ("**Non-Varian Hardware**") (Varian Hardware and Non-Varian Hardware are collectively referred to as "**Hardware Products**"), application software products created or licensed by Varian under the Software Section or provided to Customer by Varian under the terms of the Support Section ("**Varian Software**"), third party software products that are not integrated into a Varian Product ("**Non-Varian Software**") (Varian Software and Non-Varian Software are collectively referred to as "**Software Products**"), Varian warranty work and services provided under the datasheet accompanying the Quotation ("**Datasheet**") and the Support Section and interface development and other customized service work provided under the Professional Services Section ("**Varian Services**"), and third party services ("**Non-Varian Services**") (Varian Services and Non-Varian Services are collectively referred to as "**Services**"), each identified in the applicable Varian quotation ("**Quotation**") issued to the customer identified in such Quotation ("**Customer**"). While Varian may acknowledge receipt of a purchase order issued by Customer by signing and returning it, any Customer terms and conditions in any specific order documentation, preprinted or otherwise, shall be inapplicable and shall not modify this Agreement. If an earlier revision of a Quotation is signed, subsequent unsigned corrections of the Quotation shall apply upon agreement of the parties.

2. Quotations and Prices

(a) A Quotation shall expire at the end of the period identified in the Quotation, or if none is stated in the Quotation, the Quotation shall expire sixty (60) days from the date of issuance. A Quotation to a non-U.S. Customer shall be considered a solicitation for an offer to purchase. (b) Varian's prices exclude, and Customer shall be responsible for, all taxes or levies of whatever nature arising out of or in connection with this Agreement, including the sale, delivery, ownership, or use of the Products or performance of the Services, but excluding taxes based on Varian's net income and the Medical Device Excise Tax, if applicable. If Customer asserts that any transaction under this Agreement is tax exempt, Customer shall provide to Varian a tax or levy exemption certificate acceptable to the taxing or levying authority. (c) Varian's acceptance of any order and Varian's performance are expressly conditioned upon Customer's compliance with all applicable codes, regulations, and recommendations of competent health or radiation-protection authorities affecting Products or installation and use of the Products, including obtaining all required permits, and Varian's approval of Customer's credit. Where applicable, Customer acknowledges that Varian has notified Customer that there are regulatory requirements associated with possession and use of radiation-generating devices. Prior to installation of a radiation-generating device Customer must apply for and obtain approval for installation of the device from the appropriate local and/or state radiological regulatory agency and must provide Varian with a copy of the approval form to verify that the required authorization has been obtained prior to the transfer of the radiation-generating device. (d) Customer shall disclose the dollar value of any discounts or reductions in price for the Products and Services furnished by Varian in Customer's costs claimed or charges made to Medicare, Medicaid, and any other federal, state, or local program providing reimbursement to Customer.

3. Payment

3.1. **Product Orders.** The payment schedule and payment terms are set forth in the Quotation, provided, however, that if a Product is not installed within six (6) months after delivery to Customer and such delay is not due to the fault of Varian, then all remaining unpaid balances shall become immediately due regardless of the payment schedule in such Quotation. Varian may charge interest for past due balances at a rate of the lesser of one percent (1%) per month or the maximum amount permitted by applicable law. For partial shipments, Products will be billed when shipped (for example, if Customer orders two linear accelerators on one Quotation to be installed on different dates, then Varian may bill as set forth in the Quotation when the first accelerator and accessories are installed). Except as set forth in the Quotation or otherwise agreed upon by the parties, all reasonably undisputed amounts invoiced shall be due and payable within thirty (30) days of the date of invoice. Varian may cancel or delay delivery of Products when Customer's payments are late under any orders with Varian. Varian shall retain a purchase money security interest in all Products and the proceeds thereof until Customer has made payment in full to Varian of all sums due, including late fees and collection costs. Customer agrees to execute any financing statements or other documents requested by Varian, which may be reasonably necessary to perfect such security interest.

3.2. **Service Orders.** Services fees for work not covered by warranty or support will be invoiced periodically in advance, as set forth in the Quotation. If Customer is paying for Services on a time and materials basis, labor charges and expenses, including travel expenses, will be invoiced as such Services are rendered or expenses are incurred, at the rates specified in the Quotation or as set forth in Form MGM 1582 (Labor Rates and Working Hours). Except as set forth in the Quotation or otherwise agreed upon by the parties, all reasonably

undisputed amounts invoiced shall be due and payable within thirty (30) days of the date of invoice. On delinquent accounts, Varian shall be entitled to withhold performance of any Services or distribution of any Maintenance Releases, Upgrade Releases, or Purchase Options, or discounts on the purchase of the same until all outstanding amounts are paid in full.

4. Cancellations, Modifications, and Termination

4.1. **Product Orders.** Either party may terminate any Product order for material breach upon thirty (30) days written notice to the other if such material breach has not been cured. Except for termination for material breach, deposits or down payments, if any, are non-refundable. No Product order accepted by Varian may be terminated, canceled, or modified by Customer except by prior mutual agreement in writing. Where Customer breaches this clause, Customer shall forfeit its deposit or down payment, or if no deposit or down payment was made, shall pay to Varian all damages reasonably incurred by Varian. This Section shall not limit, and Varian shall be entitled to pursue, any other remedies that it may have under the law or in equity.

4.2. Service Orders.

4.2.1. **Generally.** Either party may terminate any Services agreement for material breach upon thirty (30) days written notice to the other if such material breach has not been cured. Customer may terminate any Services agreement for any reason upon ninety (90) days written notice to Varian and receive a refund of any prepaid fees for Services not received or to be received. However, that Customer shall be responsible for the costs of upgrades, updates, installation, and training provided by Varian to Customer during the twelve (12) months prior to termination, if any, plus twenty-five percent (25%) of the remaining annual Service fees for the year in which the Agreement is terminated.

4.2.2. **Termination of Service Agreements in Which Product Costs Are Included and Amortized.** Customers, who prematurely terminate a Service Level Agreement which include and have amortized the cost of any additional Products, such as delivery system upgrades, software licenses, or any other purchasable options, into the cost of the Service Level Agreement will be liable and invoiced for the unpaid portion of these additional Products at the current list price. Payment is due within thirty (30) days of termination.

4.2.3. **Failure to Maintain.** There may be instances where Customer requests Varian to issue a quotation for Varian Services prior to examining the Products covered by the Services (for example, Customer may need to spend allocated budget before a fiscal year end.). Varian reserves the right to terminate Services and refund any payments for such Services to Customer immediately upon written notice to Customer for any Covered Product which in Varian's sole opinion, has not been properly maintained except for agreement renewals and instances where such Product has been under continuous support by Varian. If Varian has not had an opportunity to inspect a Covered Product prior to the issuance or signing of a Quotation, Varian shall have the right to inspect the Product to determine whether it meets a level of operation acceptable to Varian and, at its option, revoke the Quotation before its signing, or terminate the Agreement earlier in this Section after the Quotation is signed. Varian's agreement to provide Services for Covered Products may be further contingent upon the completion of repairs or maintenance indicated as required by such inspection. Except as agreed by the parties Customer must purchase all labor and parts from Varian to maintain the Covered Product, Varian reserves the right to terminate the Agreement where Customer fails to comply.

5. Use Restrictions

Customer shall not decompile, disassemble, or reverse engineer any part of a Product except to the extent such prohibition is void under applicable law. Customer must ensure that anyone with authorized access to the Products will comply with the provisions of this Agreement.

The following shall apply to all Firmware and Operating Systems (as defined below) and Software Products licensed to Customer under this Agreement. Nothing in this Section shall prohibit Customer from allowing hospitals and healthcare workers affiliated with Customer from using the Products if they have the requisite training or experience to do so. Without the written consent of Varian, Customer may not (i) sublicense, sell, lease, rent, timeshare, distribute, or otherwise attempt to transfer its license to such software and/or Documentation to any other person or entity; or (ii) use the such software in a facility management or Service Bureau manner or permit third parties to access the such software over the internet or through an application service provider model. "**Service Bureau**" means an arrangement pursuant to which (i) third parties are permitted to access and use such software, directly or indirectly, by any means to process their own data or (ii) Customer uses such software to process the data of any third party. Except to the extent that these restrictions are void under applicable law, Customer shall not (i) copy (except as expressly set forth in Section 2 of the Software Section below and except for transitory copies created as part of the normal use of the Product), print, alter, or translate such software, (ii) circumvent any usage or other restrictions imposed by any license manager, (iii) create any derivative work based on such software, or (iv) use such software for application development purposes. Customer agrees that these provisions shall also apply to any copies of such software that Customer acquires from third parties. Customer agrees that it shall not use any part of such software apart from the hardware or software Product with which it was intended to operate.

6. Firmware and Operating Systems

The Product may contain internal system code that executes below the external user interface and which is integral to the operation of the Product ("**Firmware**"), as well as operating system software ("**Operating Systems**"). Varian or its licensors own all Firmware and Operating Systems. Except where such Firmware or Operating System is owned by a third party which licenses it directly to Customer, Varian hereby grants Customer, only for so long as Customer shall own the Product, a limited, personal, non-transferable, non-exclusive license to use the applicable Firmware and Operating System as part of the normal operation and maintenance of the Product.

7. Proprietary Notices, Trademarks, Logos, and Trade Names

Varian or Varian's suppliers or licensors own all right, title, and interest (including without limitation all intellectual property rights) in and to all drawings, designs, specifications, manuals, and software furnished by Varian to the Customer. Customer shall not remove, alter, or obscure any copyright, trademark, trade secret, government restricted rights, or other proprietary or confidentiality notices or legends from any copy of such materials and software that are (i) placed or embedded by Varian or its suppliers or licensors in the software, (ii) are displayed when the software is run, or (iii) are applied to the Products, their packaging, labels, or any other materials provided under this Agreement. All trademarks, logos, and trade names displayed on the Products and any related documentation are the property of Varian or third parties, and Customer shall not use them without the prior written consent of Varian or the third party that owns them.

8. Confidential Information

Each party ("**Recipient**") may be exposed to certain information of the other party ("**Discloser**") which is confidential to the Discloser and is valuable to Discloser and not generally known to the public ("**Confidential Information**"). Notwithstanding the foregoing, information shall not be Confidential Information unless, if disclosed in writing, it is conspicuously marked "**Confidential**" or bears some similar marking, or, if disclosed orally or by observation, its confidential nature is stated by the Discloser at the time of disclosure and confirmed in writing to the Recipient within fourteen (14) days after the disclosure. Except as expressly and unambiguously allowed in this Section, Recipient will hold Discloser's Confidential Information in confidence and will treat Discloser's Confidential Information with the same degree of care taken to protect its own similar confidential information but in no event with less than reasonable care. Recipient further agrees to limit disclosure of such information to those of its directors, employees, contractors, and agents who have a need for such information to effect the use permitted under this Agreement and who are bound under a written agreement or legal obligation to keep such information confidential. For purposes of this Agreement each party's standard director or employee agreement covering confidential information issues will satisfy this requirement with respect to such directors or employees. Recipient will not be required to protect or hold in confidence any information which: (1) becomes publicly known through no wrongful act or omission of Recipient; (2) was previously disclosed by Discloser to Recipient without indication of confidentiality; (3) becomes known to Recipient, without confidential restriction from a third party unless Recipient had or should have had knowledge of its confidentiality; (4) is approved by Discloser for disclosure without restriction in a written document which is signed by a duly authorized officer of the Discloser; or (5) is independently developed by Recipient without use of Discloser's Confidential Information. Disclosure of Confidential Information will not be precluded by this Section if such disclosure is: (a) necessary to establish rights under this Agreement (subject to Recipient's obligation at its expense to make a good faith attempt to obtain a protective order prior to such disclosure); or (b) required by law or regulation or in response to a valid order of a court or request of other governmental body of a country or political subdivision thereof, provided that Recipient notifies Discloser of such order on a timely basis and if possible prior to such disclosure. All Confidential Information, including copies made by Recipient, will remain the property of Discloser. The obligations of confidentiality imposed by this Agreement shall survive any termination of this Agreement. This Section shall not apply to any Confidential Information covered by a separate Business Associate Agreement between the parties.

9. Warranty

9.1. **Warranty for Hardware Products.** See the Hardware Section.

9.2. **Warranty Remedies.** See the Hardware Section.

9.3. **Warranty for Software Products and Services.** See the Software Section and Support Section, respectively.

9.4. **Exclusions from Coverage:** Any warranty claim, support claim, or liability is excluded where such claim or liability is not caused by Varian and arises out of (1) accident, theft, misuse, or neglect; (2) use of the Products outside of normal operating conditions, specifications, or environment or in a manner not authorized by Varian as set forth in the applicable Product documentation or written instructions from Varian; (3) user modification of any Product not authorized by Varian in the applicable Product documentation or other writing; (4) computer viruses and other changes to the operating system or environment which adversely affect the Product; (5) defects, problems, or failures created by third party products (except those comprising parts or components of Varian Products) or their interface with Varian Products; or (6) acts of God, electrical power surges, or other causes external to the Products.

9.5. **Third Party Product Terms and Warranties.** Except as otherwise set forth in this Agreement, a third party product that is integrated into a Varian Product and not separately identified in the Quotation as a third party product shall be covered by the warranty or support obligations applicable to the Varian Product into which it is integrated. All other third party products, including, without limitation, equipment, accessories, or software that are separately identified in the Quotation as third party products ("**Separate Third Party Products**") shall be governed by that third party's terms and conditions, including, but not limited to, usage guidelines and restrictions, software licenses, warranties, and any other terms; Customer must agree to those third party terms and conditions unless it negotiates otherwise directly with the manufacturer (or authorized distributor) of those Separate Third Party Products. Varian makes no representation or warranty with respect to the compatibility of Separate Third Party Products with Varian Products, nor that the Separate Third Party Products are designed or offered to work with Varian Products as a single system that has received regulatory clearance or approval. Varian remains the manufacturer or record of its products, and the Separate Third Party Product manufacturer remains the manufacturer of record of its products. Varian is reselling the Separate Third Party Products on its Quotation for the Customer's convenience. In no event shall Varian have any liability with respect to Separate Third Party Products, nor shall Varian have any liability for failure of the third parties to perform on their warranties. Customer agrees to seek any remedies with respect to the Separate Third Party Products from the third party manufacturer (or authorized distributor as the case may be).

9.6. EXCLUSIONS OF IMPLIED WARRANTIES. THESE LIMITED WARRANTIES ARE EXPRESSLY IN LIEU OF AND EXCLUDE ALL OTHER EXPRESS OR IMPLIED WARRANTIES, REPRESENTATIONS, OR CONDITIONS, INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY AND OF FITNESS FOR A PARTICULAR PURPOSE.

10. Intellectual Property Infringement

Varian shall defend, at its expense, any third party claim brought against Customer that the design or manufacture of any Varian Hardware or Varian Software furnished by Varian to Customer under this Agreement infringes any patents or other intellectual property rights of (1) the country where Customer takes delivery of the Product if such country is the United States, Canada, Japan, Switzerland, or any of the fifteen (15) original members of the European Union (namely, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom), or (2) the United States where Customer takes delivery of the Varian Hardware or Varian Software in a country not listed earlier in (1) ("Claim"), and shall pay any settlement and any damages, costs, and attorneys' fees finally awarded against Customer arising out of a Claim. The foregoing is conditioned upon Customer (a) notifying Varian promptly in writing of the Claim; (b) giving Varian sole control of the defense, management, and settlement of the Claim, provided that Customer may participate in such defense at its own cost with counsel of its choice if it gives Varian such control; and, (c) upon request, at Varian's cost, reasonably cooperating with Varian in such defense. Varian shall not enter into any settlement imposing liability on Customer for which Customer is not indemnified without Customer's written consent. If (1) such Product's use is enjoined as a result of any Claim, or (2) in Varian's opinion, such Product is likely to become subject to a Claim, Varian may, at its expense and sole option, (a) modify the Product so that it becomes non-infringing; (b) procure for Customer the right to continue to use the Product; (c) substitute for the infringing Product another product having a functionality substantially equivalent to the Product; or (d) accept return of the Product and refund its purchase price, less reasonable depreciation. Varian EXPRESSLY EXCLUDES from liability and Customer shall indemnify and hold Varian harmless from: (1) settlements and their related costs and expenses where Customer settles Claims without Varian's prior written consent; and (2) any Claims arising out of (a) use of the Product in a manner not authorized by Varian, as set forth in the applicable documentation for the Product or written instructions by Varian; (b) modification of the Product except modifications performed by Varian or pursuant to Varian's instructions; (c) combination of the Product with any other equipment, apparatus, software, processes, or materials not furnished by Varian except as requested or performed by Varian; (d) compliance by Varian with Customer's designs, specifications, or instructions; or (e) methods of use of a Product, unless the Product has no substantial non-infringing use; where such infringement would not have occurred but for such use, modification, combination, or compliance. This Section states Varian's entire liability for any claim based upon or related to any alleged infringement of any patent or other intellectual property rights.

11. Bodily Injury

With respect to bodily injury liability to third parties, each party shall be responsible in such proportion as reflects its relative fault for damages arising from or in any way related to the use or operation of any Product. Varian shall have no responsibility whatsoever for, and Customer shall indemnify, defend, and hold Varian harmless from, any and all damage or injury which arises from or relates to (1) any use, operation, or service of any Product by anyone other than Varian personnel prior to completion of applicable acceptance tests by Varian and the radiation survey by Customer, or (2) any use, operation, or service of any Product contrary to any written warning or instruction given by Varian with respect to such Product, including but not limited to unauthorized use and/or modification of any equipment, components, software, or accessories by any user, or their use on or with any explosive or incendiary materials, or (3) claims or damages associated with any non-Varian design, manufacture, or installation of any product or any custom design, manufacture, or installation by Varian that is performed pursuant to Customer's specifications, designs, or plans. This Section states each party's entire liability for bodily injury.

12. LIMITATIONS OF LIABILITY

IN NO EVENT SHALL VARIAN OR ITS SUPPLIERS OR LICENSORS OR CUSTOMER BE LIABLE UNDER CONTRACT, TORT, OR ANY OTHER LEGAL THEORY FOR INCIDENTAL, CONSEQUENTIAL, INDIRECT, PUNITIVE, OR SPECIAL LOSSES OR DAMAGES OF ANY KIND, INCLUDING BUT NOT LIMITED TO LOST BUSINESS, LOST PROFITS, LOSS OF USE, OR LOSS OF OR DAMAGE TO DATA, HOWEVER CAUSED, WHETHER FORESEEABLE OR NOT, EVEN IF THE OTHER PARTY IS ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. VARIAN AND ITS SUPPLIERS AND LICENSORS' AND CUSTOMER'S TOTAL LIABILITY IN DAMAGES OR OTHERWISE SHALL NOT EXCEED THE TOTAL AMOUNTS PAID OR PAYABLE UNDER THE AGREEMENT. THESE LIMITATIONS SHALL APPLY NOTWITHSTANDING THE FAILURE OF THE ESSENTIAL PURPOSE OF ANY LIMITED REMEDY. THE PARTIES ACKNOWLEDGE THAT THESE LIMITATIONS OF LIABILITY ARE MATERIAL PARTS OF THE BARGAIN BETWEEN THE PARTIES AND THAT PRICES FOR THE PRODUCTS WOULD BE HIGHER WITHOUT THEM. (1) Liability to third parties for bodily injury, including death, resulting from Varian Hardware or Varian Software or its use, (2) liability for breach of confidentiality, and (3) obligations related to intellectual property shall not be affected by the liability limitations stated above in this Section.

13. Export Compliance

Customer acknowledges and agrees that the Products and related technology subject to this Agreement are subject to the export control laws and regulations of the United States, European Union, and Switzerland, and Customer agrees to comply with such laws and regulations. Customer agrees that it shall use its best efforts to ensure that the Products and related technology are not (1) sold, transferred or diverted to any U.S. or E.U. sanctioned or embargoed country (including, but not limited to, Cuba, Iran, Sudan and Syria), unless authorized by U.S. export license or regulation; (2) sold, transferred, or diverted to any person, firm, or other entity listed in the U.S. Department of Commerce Denied Persons List or Entity List, the U.S. Department of Treasury's Specially Designated Nationals List, the U.S. Department of State's Debarred Parties listing, or any E.U. or local country listing of sanctioned persons; (3) sold, transferred, or diverted to any nuclear weapons,

nuclear power, nuclear research, chemical/biological weapons, or missile/rocket technology end-user or end-use; or (4) sold, transferred, or diverted in violation of any other applicable import/export laws, regulations, licenses, or government orders. Customer shall promptly advise Varian in writing of any known or suspected sale, transfer, or diversion in violation of the foregoing. Customer understands that Varian's performance under this Agreement is subject to Varian's receipt of all necessary licenses, permits, or approval from all relevant governments or their agencies for the import or export of the Products and that Varian shall be free from all liabilities for deficient performance under this Agreement if such deficiency is caused by the non-receipt or late receipt of such licenses, permits, or approval. The obligations of this Section as to these laws shall survive any termination of this Agreement.

14. Force Majeure

Neither party shall be liable for any delay in performance which is due to causes beyond its control. Performance shall be deemed suspended during the event causing such delay plus a reasonable period of time after such event, and the other party shall accept such delayed performance. Either party may terminate any Quotations not yet completed if such performance is delayed more than thirty (30) days under this Section.

15. Disputes, Mediation, Arbitration, and Applicable Law

The parties shall endeavor to settle any dispute arising out of this Agreement, except those pertaining to intellectual property issues, by mediation under the Mediation Rules of the American Arbitration Association ("AAA"). The parties will attempt to agree on a mediator. Failing such agreement, the mediator will be appointed by the AAA Vice President in charge of Mediation. Any dispute arising out of or relating to this Agreement, including the breach, termination, or validity thereof, which has not been resolved by mediation as provided herein within thirty (30) days after appointment of a mediator or such time period as the parties may otherwise agree, shall be finally resolved by binding arbitration in accordance with the AAA Commercial Rules, by three (3) independent and impartial arbitrators, all of whom shall be appointed by AAA, provided, however, that if one party fails to participate in the mediation as agreed in this Section, the other party can commence arbitration prior to the expiration of the time periods set forth above. The arbitration shall be governed by the Federal Arbitration Act, 9 U.S.C. §§1 et seq., and judgment upon the award rendered by the arbitrators may be entered by any court having jurisdiction thereof. The place of arbitration shall be Palo Alto, California. The governing law of the substance of this Agreement shall be the commercial law of the state of California, and the United Nations Convention for the International Sale of Goods shall not apply. The procedural law shall be the law of the place where arbitration is conducted. Arbitral proceedings shall be conducted in English. The arbitration tribunal shall not award punitive damages. The expenses of the arbitration, including the arbitrator's fees, expert witness fees, and attorney's fees, may be apportioned between the parties in any manner deemed appropriate by the arbitrator; however, in the absence of any formal ruling by the arbitrator each party shall share equally in the payment of the arbitrator's fees and bear its own costs, expert witness fees, and attorney's fees. The arbitration award shall be final and binding, shall be the sole and exclusive remedy regarding any and all claims and counterclaims presented, and may not be reviewed by or appealed to any court except for enforcement. Nothing in this Agreement shall prohibit either party from seeking to prevent any unauthorized copying, disclosure, use, retention, or distribution of its Confidential Information or intellectual or other property by injunctive relief or otherwise in a court of law. Varian shall have the exclusive right to bring legal action for failure to pay for Products or Services furnished in the courts of Varian's corporate domicile or any other place.

16. Limitation of Claims

No claims, regardless of form, arising out of, or in any way connected with this Agreement or the Products or Services may be brought by Customer more than one year after the cause of action has accrued or performance under this Agreement has been completed or terminated, whichever is earlier.

17. Notices

Any notices required or permitted to be given pursuant to this Agreement shall be in writing, delivered (1) in person, (2) by international courier, (3) by first class certified mail, return receipt requested, or its international equivalent, or (4) by facsimile with confirmation of delivery and an extra copy mailed. All such notices shall be addressed to Varian at Legal Department, Varian Medical Systems, Inc., 3100 Hansen Way, M/S E-250, Palo Alto, CA 94304, fax 650-424-5998, and to Customer at the address and/or fax numbers set forth in the Quotation or to such other address as may be specified from time to time by notice in writing to the other party. Notice shall be deemed to have been given when received.

18. Headings

Headings used in this Agreement are for ease of reference only and will not be used to interpret any part of this Agreement.

19. Entire Agreement, Amendments, Illegality, and Priority of Documents

This Agreement contains the complete and exclusive statement of the terms of agreement of the parties with respect to this subject matter, and supersedes all prior and contemporaneous understandings, representations, and warranties, written and oral. This Agreement may be amended or modified only in a writing signed by both parties. If a court or arbitrator holds any part of this Agreement to be illegal, unenforceable, or invalid in whole or in part for any reason, the validity or enforceability of the remaining provisions, or portions of them, will not be affected, and such provisions will be changed and interpreted so as to best accomplish the objectives of such provisions within the limits of applicable law or court decisions. In the event of a conflict, the documents shall be interpreted to give priority in the following order: (1) amendments or addenda to this Agreement, if any, with highest priority given to the most recent amendment or addendum, (2) Quotation, and (3) Terms and Conditions of Sale.

20. Waiver

No term or provision of this Agreement shall be deemed waived by either party, and no breach excused by either party, unless the waiver or consent shall be in writing signed by an authorized representative of the party granting such waiver or consent.

21. Assignment

Except as to rigging, neither party may assign its rights nor delegate its duties under this Agreement without the written consent of the other, and any attempted assignment without such consent will be void. However, either party may assign or otherwise transfer its rights or delegate its duties under this Agreement, in whole or in part and subject to the terms of this Agreement, to a subsidiary or affiliate, or a purchaser or transferee of substantially all of the assets used by such party in its business to which this Agreement relates or in the event of a merger, acquisition, corporate restructuring, or change in control upon written notice to the other party.

22. Relationship of the Parties

This Agreement does not create a relationship such as a partnership, franchise, joint venture, agency, master/servant, or employment relationship. Neither party may act in a manner, which expresses or implies a relationship other than that of independent contractor, nor bind the other party.

23. Counterparts

This Agreement may be executed in two counterparts, each of which will be an original and together which will constitute one and the same instrument.

24. Sales to United States Government Agencies

Varian Products that are sold or distributed by Varian to an agency of the United States government (the "Government") shall be subject to the Government's rights in commercial items and commercial software.

HARDWARE SECTION

(Formerly Form RAD 9905 OS Schedule and Form RAD 9906 BT Schedule)

This Hardware Section applies to all Hardware Products provided by Varian to the Customer under this Agreement.

1. Transportation and Risk of Loss

All shipments are per the Incoterms (Incoterms 2010) set forth in the Quotation with Varian selecting the transportation company. Title shall pass at the same time that risk of loss shifts. Unless otherwise expressly agreed in writing, Varian will ship linear accelerator, simulator Products, and any other Products that Varian determines such transportation is advisable, as well as any other items that it determines would be efficiently transported by inclusion with such Products, to Customer's site in "air ride" vans, and Varian shall insure to full value of Products shipped at Customer's expense or shall declare full value of the Products to the transportation company at time of shipment. Within three (3) days of delivery, Customer shall examine fully the packaging of the Product delivered for damage and make all applicable complaints and claims arising out of such delivery to the carrier in writing, and shall provide a copy to Varian.

2. Bill and Hold

This Section shall apply only to linear accelerators, simulators, and HDR BrachyTherapy afterloaders. If shipment is delayed due to unavailability of Customer facilities or any other cause, Customer may request and authorize Varian to hold the Product(s) in storage upon completion of manufacturing. Varian shall invoice Customer for, and Customer shall pay, eighty percent (80%) of the purchase price for such Product(s), which shall include any down payments or deposits. Varian will select a suitable storage facility and pay for the costs of storage and insurance for up to ninety (90) days. Title to the Product(s) shall pass when the Product(s) are placed into storage. The Product(s) shall be insured in Customer's name. If Customer has not requested shipment of the Product(s) within such ninety (90)-day period, then Varian shall ship the Product(s) to the site designated in the applicable Quotation(s). When storage is required, the provisions of this Section shall prevail over any inconsistent provisions of this Agreement.

3. Architecture

Varian will have no approval or other responsibility for any matter affecting or related to the adequacy of Customer's operating permit, architectural design, the radiation protection walls and barriers, patient viewing devices, compliance with all facility personnel safety devices and related inspections, utility service design and location, and other details pertaining to Customer's site. Customer may purchase architectural and construction services, if available, under a separate agreement with Varian's Site Solutions group.

4. Installation

A linear accelerator is delivered in three (3) or four (4) separate sections which Varian will assemble in Customer's vault. Varian also will provide standard installation of the pieces and final positioning for the linear accelerator and setting. Customer will be responsible for the grouting of the subbase frame and the connection of such Products to the utilities and for any non-standard installation services (such as the shoring of floors, the widening of doorways, and second floor delivery), and Varian will notify Customer approximately ninety (90) days prior to scheduled Products shipment to allow Customer to provide for and coordinate such services. Except as otherwise agreed by the parties, Customer will be responsible for having the building, utilities, lighting, ventilation, air conditioning, mounting facilities, all necessary radiation shielding, and access to the room completed on the estimated delivery date and ready for installation of the Products. Upon agreement of the parties Varian may review quotes from and pays the subcontractor directly for connection to utilities, power, air, and grouting of the base frame. Where Varian is installing a Product for Customer, Customer will reimburse Varian at Varian's standard service rates for any extra time and/or

travel by Varian made necessary by any delays not caused by Varian. Varian shall have no obligation to operate Products to complete installation or testing unless Customer has provided adequate radiation shielding protection and other site preparations for the safety and protection of Customer's and Varian's personnel and Products. Upon completion of installation, Varian's representatives will demonstrate proper Product operation by performing the applicable Varian Customer Acceptance Procedure ("VCAP"). Customer shall provide a representative who shall be present at all times during installation (including interfaces) and be capable of assisting where necessary or waiving installation of interfaces to the extent that Customer has decided not to install products requiring such interfaces. When no representative is present or assistance from Customer is not available when required by Varian, Varian may discontinue installation and shall charge Customer for any additional costs incurred including Varian's standard service rates. If union action or influence requires union labor to complete any installation of Products, then such installation shall be completed at Customer's expense under the engineering supervision of Varian.

5. Acceptance of Hardware Product

For Non-Varian Hardware Varian shall invoice when such Product is shipped. For Varian Hardware, acceptance shall occur upon the earlier of (1) Customer's execution of Varian's acceptance form, which is the final step in the VCAP for each Product, (2) completion of the applicable VCAP, (3) use of any such Product by Customer, its agents, employees, or licensees, for any purpose other than testing after its receipt, or (4) six months after delivery of the Product. Prior to acceptance Varian may repair or, at its option, replace defective or nonconforming parts after receipt of notice of defect or nonconformity. After acceptance Customer's remedies shall be solely as provided in the warranty. After six (6) months after delivery of the Product Varian shall no longer be required to provide installation services.

6. Calibration and Radiation Surveys

For linear accelerator and simulator Products and treatment planning software, Customer shall be responsible for all Product calibration. For non-BrachyTherapy products the dose rate and integrated dose measured by the accelerator transmission ionization chamber and dosimetry electronics must be calibrated by a qualified radiological physicist prior to use of the Product for patient treatment. For BrachyTherapy products, the radioactive source must be calibrated by a qualified radiological physicist prior to use of the Product for patient treatment. Customer shall be responsible for testing and calibrating the Product on a regular basis. Customer also shall be responsible for any radiation surveys required by applicable law or regulation or necessary to establish that radiation does not exceed safe levels. For simulator and BrachyTherapy Products, Varian's obligation to calibrate shall be limited to that required by local law. In the United States calibration shall be limited to those certified components that are required under 21 C.F.R. 1020.30(d) (U.S. Code of Federal Regulations) to be calibrated by the installer where Varian is the installer. Customer shall be responsible for all other calibrations of simulator Products.

7. Warranty

7.1. **Warranty for Varian Hardware.** Unless otherwise provided in this Agreement or the Quotation, Varian warrants that Varian Hardware and any Firmware and Operating System loaded on such Varian Hardware, except where such Firmware or Operating System is owned by a third party which licenses it directly to Customer, to be free from defects in material and workmanship and in substantial compliance with operational features of Varian's published specifications for the applicable Product at the time of sale ("**Specifications**"). This warranty shall begin upon completion of installation and continue for a period of one year from such date, but not to exceed two (2) years from date of shipment from Varian to Customer. In lieu of the foregoing periods, specific components of Varian Hardware may have different warranty periods, prorated replacement credits, and return policies, as stated on the applicable Varian warranty forms supplied by Varian to Customer with this Agreement. Weights and dimensions in the Specifications are approximations. Clerical and typographical errors are subject to correction. Occasionally, upon agreement of the parties, Varian may substitute remanufactured parts and components that meet the same quality standards as new materials and are covered by the same warranty. Parts for which Varian has provided replacements shall, at Varian's option, become the property of Varian.

7.2. **Parts Warranty.** Varian warrants parts to be free from defects in material and workmanship for a period of the greater of ninety (90) days from the date of shipment to Customer or, if applicable, the unexpired portion of the original warranty period for the Product. All warranty repair or replacement of parts shall be limited to product malfunctions which are, as determined by Varian, due and traceable to defects in original material and workmanship. Components that carry separate warranties based upon use are not covered by this warranty. Parts that are expendable in normal use and service are not covered by this warranty. Parts for third party products, such as computer hardware provided with software products, are not covered by this warranty, except when applicable option has been purchased. . Unused parts returned to Varian are subject to a restocking fee of fifteen percent (15%), and, if applicable, an additional retesting fee.

7.3. **Disclaimer for Parts Not Supplied by Varian.** If Customer requests Varian to install parts not purchased from Varian, then: (i) Varian reserves the discretionary right to refuse to install any part; (ii) if Varian agrees to install the part, no warranty, expressed or implied, is provided for the part or installation Services, nor does installation by Varian imply that Varian certifies such part or vendor from whom such part is obtained; (iii) labor to install the part will be provided on an hourly basis as set forth in Form MGM 1582 (Labor Rates and Working Hours); and (iv) if additional damage is caused by such part, Varian assumes no responsibility for such damage. If the Varian Product is under any level Varian Service agreement, Varian will not be obligated to repair such damage under such Service agreement, and such repairs will be performed under Form MGM 1582.

7.4. **Warranty Remedies.** Customer's sole and exclusive remedy for any failure of Varian Hardware or Firmware or Operating System under this Section to perform shall be repair or, at Varian's option, replacement of such defective Products in whole or in part during Varian's normal business hours. If in Varian's sole opinion such repair or replacement is not feasible, or if such remedy fails of its essential purpose, Varian shall refund or credit a portion of any sums paid by Customer for the defective Product less reasonable depreciation. In-warranty repair or replacement parts are warranted only for the unexpired portion of the original warranty period.

SOFTWARE SECTION

(Formerly Form RAD 2750 Software Schedule)

This Software Section shall apply to all Varian Software licensed by Varian to Customer under this Agreement, excluding Firmware and Operating Systems, which are shall be governed by General Terms, Section 6 (Firmware and Operating Systems) and Hardware Section, Section 7 (Warranty).

1. Additional Definitions

1.1. "Access" means use of Software Products installed on a workstation or use at a workstation through remote connection to a server via a single Local Area Network ("LAN") or a single Wide Area Network ("WAN"), but not from outside the designated LAN or WAN, except that remote administrative viewing of certain designated Software Products installed on a server will not be outside the scope of the permitted use.

1.2. "Documentation" means the user manual for Software Products which describes the software and provides information specific to that Software Product.

2. License Grant

Subject to and for so long as Customer is in compliance with the terms and conditions of this Agreement, Varian grants to Customer a limited, personal, non-exclusive, non-transferable (subject to General Terms Section 21 [Assignment]) license for:

(a) server modules of Software Products, as follows:

(i) for server components of a server module of a Software Product, to install and use a single copy of the object code version of such server module on a single server (or single database server and single imaging server for imaging applications) and to Access the server modules from a workstation; and

(ii) for workstation components of a server module of a Software Product, if any, to install and use copies of the object code version of such workstation components on such workstations as necessary;

(b) workstation applications of Software Products, as follows:

(i) for a workstation application of a Software Product intended for installation on a workstation for which no license manager is used or for which a fixed license manager is used, to install and use the object code version of such workstation application on the number of workstations for which licenses have been purchased;

(ii) for a workstation application of a Software Product pre-installed by Varian on a workstation (such as a console) prior to its delivery to Customer, to use the object code version of such workstation application on the workstation on which such application is installed;

(iii) for a workstation application of a Software Product intended for a floating license, to install the object code version of such workstation application on any number of workstations and to permit concurrent users up to the number of licenses purchased to use such workstation application; and

(iv) for a workstation application of a Software Product intended for a site license, to install and use the object code version of such workstation application on any number of workstations at the Customer site(s) identified in the Quotation as to such Software Product; and

(c) to copy the Software Products for back up and archival purposes only, except to the extent that such restriction on copying is void under applicable law; and

(d) to use (but not make copies of) the Documentation to assist in Customer's use of the Software Products pursuant to the terms of this Agreement except that Customer may make an electronic copy on each workstation of the Documentation applicable to the Software Products installed or used on such workstation.

Each such license shall be valid until termination under this Agreement or expiration. Software Products may be licensed as server modules or as workstation applications as may be indicated in the applicable Quotation or Documentation. Unless otherwise indicated, Maintenance Releases, Mandatory Safety Releases, Upgrades, and Purchase Options (as defined in the Datasheet) are hereby licensed in the same way that their underlying Products are licensed under this Section. Customer shall not be entitled to receive or use any source code of the Software Products under this Agreement except as otherwise stated in this Agreement. Varian shall have the right to conduct and/or direct an independent accounting firm to conduct, during normal business hours, an audit of the appropriate records of Customer to verify Customer's compliance with the licenses granted under this Software Section.

3. Title

Title to all copies of the Software Products and Documentation will remain in Varian or its licensors. No license, right, title, or interest in the Software Products or Documentation, or any intellectual property of Varian or any Varian third party licensor, is granted to Customer except as expressly granted in this Software Section.

4. Integration

Customer acknowledges that the import of data into and the export of data out of certain Software Products require an interface between the Software Products and external programs or information systems, whether such programs or information systems are supplied by Varian or a third party.

5. Acceptance

Where Varian will be installing the Software Product, Customer will make its site available to Varian personnel to install the Software Product no later than thirty (30) days after delivery of the applicable Software Product to Customer. Customer shall provide a representative who shall be present at all times during installation (including interfaces) and be capable of assisting where necessary or waiving installation of interfaces to the extent that Customer has decided not to install products requiring such interfaces. When no representative is present or assistance from Customer is not available when required by Varian, Varian may discontinue installation and shall charge Customer for any additional costs incurred including Varian's standard service rates. Customer will have thirty (30) days from the installation date, or where Customer will perform the installation, thirty (30) days from delivery of the Software Product, to review the Software Product. Customer may reject Software Product only if it does not substantially conform to the Documentation. Customer's rejection must be in writing, must describe the nonconformity in detail, and must be provided to Varian within such thirty (30)-day period. Varian will have a reasonable period of time in which to correct or provide a workaround for any such nonconformity. Customer will be deemed to have accepted the Software Product after thirty (30) days from the installation date or delivery date, as applicable, unless Varian has received written notice of rejection within the thirty (30)-day period. Notwithstanding the foregoing, Customer's productive use of the Software Product in Customer's business will be deemed to be acceptance of the Software Product.

6. Support and Warranties

6.1. Support in Lieu of Warranty & Limited Warranty.

Varian agrees as follows:

(a) for Software Products licensed to Customer for the first time, as opposed to expansions of pre-existing configurations, in lieu of any warranty Varian will provide Customer with technical support Services for a period of one year from the date of installation of the Software Product by Varian (or the date of delivery where the Software Product will be installed by Customer), or such other period set forth in the Quotation, under the terms of the Datasheet and Support Section, at no additional charge to Customer;

(b) for Software Products licensed to Customer that adds a module to, upgrades, or increases the number of licenses purchased under a pre-existing configuration

(i) for which the Support Section of a service agreement, or a service agreement is then in effect between Customer and Varian and is not scheduled to expire within thirty (30) days of the execution of this Agreement, upon expiration of the applicable warranty period for such additional licenses, Varian will provide Customer with technical support Services for the balance of the then-current one-year support period, at a pro-rated charge that will be calculated and invoiced based on the number of months remaining until the anniversary (or renewal) date for support on the pre-existing configuration, to Customer under the terms of the Datasheet, Support Section, or agreement for such pre-existing configuration; and

(ii) for which Support Section of a service agreement, or a service agreement is then in effect between Customer and Varian but is scheduled to expire within thirty (30) days of the execution of this Agreement or for which no Support Section or service agreement is then in effect between Customer and Varian, excluding BrachyTherapy products, Varian warrants, for a period of thirty (30) days from the date of installation of the Varian Software by Varian (or the date of delivery where the Varian Software will be installed by Customer), that the Software Product, will, when used in accordance with the Documentation, substantially conform to the Documentation. Where Customer reports a nonconformity to Varian during the warranty period, Varian will provide workarounds, patches, bug fixes, or other corrections or will replace the affected Software Products, at Varian's option, and such remedy will be Customer's sole and exclusive remedy for breach of this warranty. If in Varian's sole and exclusive opinion any such workaround, patch, bug fix, correction, or replacement is not commercially reasonable, or if any such remedy fails of its essential purpose, Varian shall negotiate with Customer with respect to a refund of any equitable portion of any sums paid by Customer for the affected Software Products.

Varian's provision of Mandatory Safety Releases, Maintenance Releases, and, if applicable, Upgrade Releases, under the warranty or support in lieu of warranty in this Section and pursuant to the Datasheet and/or the Support Section shall not extend the original period for such warranty or support.

6.2. Disclaimer.

EXCEPT AS PROVIDED IN THIS AGREEMENT, VARIAN DISCLAIMS ALL EXPRESS OR IMPLIED WARRANTIES, REPRESENTATIONS, AND CONDITIONS (EITHER IN FACT OR BY OPERATION OF LAW) INCLUDING BUT NOT LIMITED TO IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, AND NON-INFRINGEMENT OF THIRD PARTY RIGHTS. VARIAN MAKES NO WARRANTY THAT THE OPERATION OF ANY SOFTWARE PRODUCT WILL BE UNINTERRUPTED OR ERROR FREE. THE EXCLUSIVE REMEDY FOR INFRINGEMENT OF THIRD PARTY RIGHTS IS SET FORTH IN GENERAL TERMS, SECTION 10 (Intellectual Property Infringement).

6.3. Limitations.

Except as specifically stated in the Documentation, Varian does not make any representations or warranty regarding the compatibility of the Software Products with software or hardware not supplied by Varian. Varian will in its sole and exclusive discretion, use reasonable efforts to assist Customer with the use of Software Products with third party products. Such assistance is limited to telephone and service support regarding compatibility or interface questions. Varian does not make any representation or warranty

regarding the clinical use of the Software Products and/or Varian beam data by Customer for the treatment of patients in performing any medical procedure. Customer acknowledges that the Software Products and Varian beam data are tools to assist Customer to determine the proper course of treatment that may be needed by a particular patient, and Customer assumes all risks associated with such treatment. Import, export, or distribution of any data or information Customer may develop or use in cooperation with the Software Products ("**Data Related Activities**") is Customer's sole responsibility, and Customer agrees to defend, indemnify, and hold Varian harmless from any and all claims by Customer and/or third parties, regardless of the nature of such claims, arising either directly or indirectly out of Data Related Activities. The foregoing sentence shall not be construed to limit Varian's obligation to provide warranty work or support under Section 6.1.

7. **[Intentionally Omitted. Formerly Government Rights. Now covered in General Terms, new Section 24.]**

PROFESSIONAL SERVICES SECTION

(Formerly Form RAD 10080 Professional Services Schedule)

This Professional Services Section shall apply only to development of interfaces for Varian medical oncology software installation and any customized services provided under an SOW.

1. Additional Definitions

1.1. "**Change Order**" shall mean any proposed change to the SOW requested by Customer and agreed to in writing by Varian.

1.2. "**Professional Services**" shall mean the services identified in each individual SOW, including, but not be limited to, analysis and performance of integration of Varian's standard software applications with Customer's information systems and business practices, development of interfaces between Varian's standard software applications and Customer's computer systems, customized training, and other services available from Varian.

1.3. "**Schedule**" shall mean any timetable or milestones for the Professional Services that is set forth in the SOW.

1.4. "**SOW**" shall mean a statement of work or work order agreement, either in the Quotation or as separately agreed upon by the Parties describing the Professional Services to be performed by Varian for Customer.

2. Term

The term for the Professional Services portion of this Agreement shall be from the signing of this Agreement until completion of the Professional Services or termination.

3. Professional Services

3.1. **Generally.** In consideration of Customer's timely payment, Varian shall perform the Professional Services set forth in each SOW attached to or referencing this Agreement.

3.2. **Software.** Where Varian provides Customer with other software under an SOW to this Professional Services Section, including but not limited to interface engines and interfaces, then such software shall be governed by the Software Section. The interface engine, interface, or other software will be licensed under the Software Section in the same manner as the underlying application software which requires such interface engine, interface, or other software.

3.3. **Actual and Potential Delays.** Varian shall use commercially reasonable efforts to perform the Professional Services according to the Schedule. Whenever any event delays or threatens the timely performance of the Professional Services, Varian will make commercially reasonable efforts to notify Customer of such event and furnish all relevant details. If Varian is unable to meet the Schedule for any Professional Services, Varian and Customer shall meet in good faith to discuss possible solutions including revising the Schedule at no additional cost to Customer, provided that such revision does not add new Professional Services to the SOW.

3.4. **[Intentionally Omitted. Formerly Customer Hours, Holidays, and Site Rules. Now covered in Datasheet.]**

3.5. **[Intentionally Omitted. Formerly Office Space, Services, and Equipment. Now covered in Datasheet.]**

3.6. **Exclusions from Professional Services.** Except to the extent expressly set forth in an SOW, Professional Services shall not include, and Varian will have no approval or other responsibility for, any matter affecting or related to the adequacy of Customer's operating permit, architectural design, the radiation protection walls and barriers, patient viewing devices, compliance with all facility personnel safety devices and related inspections, utility service design and location, Customer's obligations to comply with applicable laws, and other details pertaining to Customer's site.

4. Rates, Expenses, Invoices, and Payment

4.1. Rates.

4.1.1. **Time and Materials Rates.** Varian shall bill Customer for Professional Services at the time and materials rates set forth in the applicable Quotation or, if no rate is set forth in the Quotation, at Varian's then-current standard rates for such Professional Services. Varian shall bill for actual time expended and materials used in providing the Professional Services, and any preliminary estimate of time and materials provided by Varian to Customer for the Professional Services is for budgetary purposes only and shall not be binding on either party. Varian's standard work day is eight (8) hours. Varian shall bill Customer in units of billable hours, with minimum billable increments of eight (8) hours for Professional Services being performed at Customer's site or one

hour for Professional Services being provided off-site. Where Varian can perform any portion of the Professional Services remotely rather than on Customer's site, Varian shall bill for such off-site Professional Services in accordance with the terms of this Agreement as if such Professional Services were performed at Customer's site.

4.1.2. **Firm Fixed Price Rates.** Varian may also provide Customer with some pre-packaged Professional Services or other specially negotiated Professional Services on a firm fixed price basis, provided that such Professional Services will be clearly identified as being offered on a fixed price basis. Where the parties agree upon a firm fixed price, the Professional Services included within such price shall be limited to those specifically identified as being covered by such price, and Customer agrees to make payments according to the Schedule, including any applicable milestones. Where Professional Services are not expressly identified as being covered by a firm fixed price, they shall be provided on a time and materials basis.

4.2. **Expenses.** Varian shall submit a monthly time and expense summary to Customer by letter, fax, e-mail, or in person for the Professional Services performed during the prior month. Varian may shall bill Customer for its reasonable expenses, including, but not limited to, travel, lodging, and meals, required to perform the Professional Services for Customer.

4.3. **Invoices.** For Professional Services performed on a time and materials basis, Varian shall submit invoices to Customer for labor, materials, and expenses in providing the Professional Services in the immediately preceding month. For Professional Services performed on a firm fixed price basis, Varian shall submit invoices to Customer pursuant to the Schedule set forth in the SOW. Upon request by Customer, Varian shall provide receipts or other documentation supporting reimbursable expenses to Customer.

4.4. **Payment.** Except to the extent that a special payment arrangement has been agreed to by the parties in the Quotation or SOW, Customer shall pay each invoice within thirty (30) days from the date of the invoice.

5. Change Orders

If Customer desires a change to any SOW, then upon mutual agreement of the parties Varian shall issue a written Change Order in the form of a revised Quotation or revised SOW to Customer. If any Change Order causes a change to the cost of, the time required for, performance, or Schedule of the Professional Services, the appropriate modifications to the SOW shall be reflected in the Change Order.

6. Warranty

Varian warrants that its performance of the Professional Services will be performed in a professional and workman-like manner and substantially conform to the SOW. This warranty shall begin upon completion of the Professional Services and continue for a period of ninety (90) days from such date. In the event that Varian's performance of the Professional Services fails to conform to the SOW, Varian's sole obligation under this Agreement will be to promptly bring the Professional Services into conformity with the SOW at no additional cost to Customer. Where this is not possible, Varian shall be entitled to retain, and Customer shall be liable for payment of, a proportionate share of the total payments set forth in the SOW reflecting Varian's percentage of completion of the work in conformity with the SOW, and Varian shall grant Customer a refund of any additional compensation paid by Customer.

7. Insurance

During the terms of this Agreement Varian agrees to maintain at least the following insurance coverage and provide certificates of insurance evidencing such coverage to Customer upon request:

7.1. **Commercial General Liability** – including products/completed operations, broad form property damage, contractor's protective liability, blanket contractual, advertising injury, and personal injury liability. Minimum limits – $1,000,000 per occurrence and $2,000,000 general aggregate.

7.2. **Business Auto Liability** – including coverage for all owned, non-owned, and hired vehicles. Minimum limits -- $500,000 combined single limit per accident for bodily injury and property damage.

7.3. **Worker's Compensation Insurance and Employer's Liability Insurance** – including a waiver of subrogation on behalf of Customer, its shareholders, employees, and agents. Minimum limits – statutory limits and $500,000 employer's liability applicable in jurisdictions of contract performance.

8. Intellectual Property

Except as expressly stated in this Agreement or an SOW, neither party is granted any right, title, or interest in the pre-existing intellectual property of the other. With the exception of any data created for Customer, Varian shall own all right, title, and interest in all inventions and discoveries newly developed in performing the Professional Services.

SUPPORT SECTION

(Formerly Form MGM 1580 Support Schedule)

This Support Section applies to all initial warranty and support for the Varian Products provided by Varian to the Customer under this Agreement, as well as support services agreed to by the parties for periods after such initial warranty or support.

1. **[Intentionally Omitted. Formerly Additional Definitions. This information now resides in the Datasheet accompanying the quotation.]**
2. **[Intentionally Omitted. Formerly Invoicing and Additional Payment Terms, now covered in General Terms Section 3 (Payment).]**
3. **[Intentionally Omitted. Formerly Mandatory Safety Releases. Now covered in Datasheet.]**

4. [Intentionally Omitted. Formerly Maintenance Releases. Now covered in Datasheet.]
5. [Intentionally Omitted. Formerly Upgrade Releases and Purchase Options. Now covered in Datasheet.]
6. [Intentionally Omitted. Formerly Telephone Support. Now covered in Datasheet.]
7. [Intentionally Omitted. Formerly Remote Diagnostic and Remedial Support. Now covered in Datasheet.]
8. [Intentionally Omitted. Formerly On Site Support. Now covered in Datasheet.]
9. [Intentionally Omitted. Formerly Periodic Maintenance Inspections. Now covered in Datasheet.]
10. [Intentionally Omitted. Formerly Severity Levels and Response Times. Now covered in Datasheet.]
11. [Intentionally Omitted. Formerly Training. Now covered in Datasheet.]
12. Customer Responsibilities

12.1. Authorized Representatives. Customer shall request Varian Services on a time and materials basis and order parts only through its authorized representatives and will provide a list of such authorized personnel upon request by Varian.

12.2. Access to Premises. Customer shall provide Varian with sufficient access to the Covered Products and Customer's premises and personnel to perform its obligations and to install all Mandatory Safety Releases, including access for both remote diagnostics and onsite Services.

12.3. Qualified Operator and Equipment. Customer shall arrange for a qualified operator to be present, when, in the opinion of the Varian Customer Support Representative, the situation requires two (2) persons for safety. To fulfill its Service responsibility, Varian will supply normal hand tools, test equipment, and other specialized fixtures. Customer shall provide other assistance and equipment reasonably required to perform Service responsibilities.

13. [Intentionally Omitted. Formerly Failure to Maintain. Now covered in General Terms, Section 4.2.3 (Cancellations, Modifications, and Termination).]
14. [Intentionally Omitted. Formerly Parts. 14.1-14.3 are now covered in Datasheet. 14.4 and 14.5 are now covered in Hardware Section, Section 7 (Warranty).]
15. Software Provided Pursuant to Services

Any firmware and operating systems provided by Varian pursuant to Services is provided pursuant to General Terms, Section 6 ("Firmware and Operating Systems"), and any Varian Software provided pursuant to Services is provided pursuant to the terms set forth in the Software Section; provided, however, that Varian's provision of such software shall not extend existing warranty periods, if any, nor create any new ones.

16. Limitations and Exclusions. [Former last two paragraphs regarding system requirements and delays are now covered in Datasheet.]

Exclusions from Services. The Services provided shall be limited to support of Covered Products. Products not covered include without limitation Customer's network, any hardware upon which a software Covered Product is loaded, any interfaces between Covered Products and other products (other than interfaces between Varian Products), and any products with which the Covered Products interface; however, these restrictions shall not apply to the extent that such network, hardware, interfaces, or products are included as Covered Products. In addition, Varian shall not be required to provide Services for any Products if, in Varian's reasonable opinion, they are required because of Customer's failure to install Mandatory Safety Releases or Maintenance Releases made available to Customer or because of causes other than defects or errors in the Covered Products.

Varian shall not be required to render Services at locations other than the Customer site(s) listed in the Quotation.

17. [Intentionally Omitted. Formerly Termination. Now covered in General Terms, Section 4.2.1 (Cancellations, Modifications, and Termination).]

VARIAN
medical systems

VARIAN MEDICAL SYSTEMS, INC.
3100 Hansen Way, Palo Alto, CA 94304
("Varian")

Service Support Datasheet

Form RAD 10203 12/11

1. Definitions

1.1. "**Covered Product**" means a Varian Product for which the parties have agreed in writing to provide Services under warranty or service agreement.

1.2. "**Maintenance Releases**" means bug fixes, patches, and other error corrections to a software Covered Product designed to enable the software to conform to its documentation and that are made generally available by Varian at no additional cost to the licensees of such Covered Product.

1.3. "**Mandatory Safety Release**" means updates, error corrections, or modifications to a Software Product that Varian will require licensees of such Product to install and that are made available by Varian at no additional cost to licensees of such Product.

1.4. "**Purchase Options**" means software applications or modules not included in the software Product or releases of the Software Product that include new features or functionality and that are released and marketed by Varian as Purchase Options.

1.5. "**Upgrade Release**" means upgrades, enhancements, and improvements to the features or functionality of Software Product that are released and marketed by Varian as Upgrade Releases.

The terms "**Covered Product**" and "**Software Product**" shall include all Maintenance Releases and Mandatory Safety Releases, as well as Purchase Options and Upgrade Releases, if any, licensed by Varian to Customer.

2. Mandatory Safety Releases

Varian shall provide Customer with and install Mandatory Safety Releases at no additional cost until the later of (1) the end of life of the Product specified in a notice by Varian, or (2) such later date as required by any regulatory agency.

3. Maintenance Releases

Varian shall provide Customer with and install Maintenance Releases for Covered Products at no additional cost. Varian may, at its election, install Maintenance releases remotely if applicable.

4. Upgrade Releases and Purchase Options

Varian shall offer Upgrade Releases and Purchase Options for Covered Products, along with associated installation and training, to Customer at the prices and upon the terms set forth in the Quotation.

5. Telephone Support

Varian shall provide telephone support Services for Covered at no additional cost through (1) help desk telephone support and (2) technical telephone support.

5.1. **Help Desk Telephone Support.** Varian shall provide application help desk support for Covered Products at no additional cost during standard hours.

5.2. **Technical Telephone Support.** Varian shall provide technical telephone support for Covered Products at no additional cost during standard hours.

6. Remote Diagnostic and Remedial Support

Where available and elected by Customer, Varian may provide diagnostic and remedial support Services for Covered Products remotely during standard hours through SmartConnect® technology or other remote access program at no additional cost.

7. On-Site Support

Where an issue cannot be resolved by telephone or remote support Services, Varian shall provide on-site support Services for Covered Products during standard hours at no additional cost. Where Varian can offer on-site support outside of Varian's standard hours and such support is requested by Customer during such hours, Customer agrees to pay for non-standard hours coverage at the hourly rates set forth in Form 1582 (Labor Rates and Working Hours); provided, however, that such after-hours coverage shall be at no additional cost to Customers who have purchased a non-standard hours coverage option as part of their Service agreement.

8. Periodic Maintenance Inspections

Varian shall provide Periodic Maintenance Inspections ("PMI's") for hardware Covered at mutually agreed upon times with the understanding that unless the parties make other arrangements, Customer shall be expected to give access to Varian to begin performing PMI's before 1:00 p.m. (local time) to enable the PMI's to be completed during standard hours. Where Varian can offer to perform PMI's outside of Varian's standard hours and Customer can give access to Varian to begin performing PMI's before 5:00 p.m. (local time),

Customer agrees to pay for non-standard hours PMI coverage at the hourly rates set forth in Form 1582 (Labor Rates and Working Hours); provided, however, that such after-hours PMI's shall be at no additional cost to Customers who have purchased a non-standard hours coverage option as part of their Service agreement.

9. Severity Levels and Response Times

"Severity Level 1" means an issue which prevents the performance of any mission critical program functions, and which cannot be circumvented or avoided on a temporary basis by Customer.

"Severity Level 2" means an issue which significantly impairs the performance of any mission critical program functions, and which cannot be circumvented or avoided on a temporary basis by Customer.

"Severity Level 3" means an issue which does not prevent or significantly impair the performance of any mission critical program functions, or where such prevention or impairment can be circumvented or avoided on a temporary basis by Customer.

"Severity Level 4" means a low impact issue or documentation issue.

Varian shall give preference to Customers with Covered Products Varian shall respond to Severity Level 1 and 2 issues within thirty (30) minutes and Severity Level 3 and 4 issues by the next business day. Varian shall continue working Severity Level 1 and 2 issues until a solution or acceptable workaround is provided. For extended downtime of a Covered Product Varian's customer support manager shall notify Varian's senior service and sales management, including, when required, product and design engineers. Workarounds do not constitute a resolution of an issue but may result in the issue being reassigned to Severity Level 3. The permanent resolution of Severity Level 3 and Severity Level 4 issues may appear in future product releases. Varian issue resolution efforts may be suspended by agreement of Customer or during such period Customer assistance is required to continue effective work and is not available. Varian will provide contact persons to respond to the different severity level issues. Varian will notify Customer promptly if it is unable to resolve any issue.

10. Training and Professional Services – General Guidelines

10.1. Entitled Training.

a. Classroom training must be attended at the nearest Varian education location, where the class is offered.

b. The suitable delivery mode of "Associated Training" for an upgrade will be determined by Varian. This may include web based digital streaming media or Microsoft® Office Live Meeting.

c. The standard mode of delivering training and training material will be via electronic media.

10.2. Purchased Classroom Training.

a. Where applicable, travel allowance package that is purchased as part of the Service Level Agreement ("SLA"), is applicable only to the "Pre-packaged Training Credits" or the "Technical Maintenance Training." This package must be used within the contract period. No refunds are allowed for unused portions of this package. Travel and lodging must be booked via a Varian authorized travel agent and must comply with Varian's travel and lodging policy.

b. A training event that is part of an SLA or purchased separately will be forfeited if it is scheduled and then cancelled by the Customer within two (2) weeks of the training event date. It cannot be reinstated or rescheduled, except when this training is associated with a software upgrade.

c. Annual flex credits, purchased as a part of SLA, expire at the end of each SLA year, and unused credits do not roll over. Flex credits purchased separately expire after a year if unused. It is recommended to schedule Flex credit classes eight (8) to twelve (12) weeks in advance.

10.3. On-Site Training at Customer's Facility.

a. Each day of on-site training or professional services is defined as eight (8) hours – between 8 a.m. to 5 p.m. local time, normal working days, excluding holidays. Time over eight (8) hours per day will be deducted from remaining balance of the on-site training entitlement.

b. Varian employees and agents shall observe the statutory holiday schedules for both Varian and the Customer, and Customer's site rules while working on the Customer's premises. The Customer shall provide, in advance, a copy of the schedule and rules to Varian.

c. On-site training or professional services requires that the equipment or software to be used for training is available and in good working order. Customer shall provide, at no cost to Varian, the use of office space, services and equipment (such as copiers, fax, machines, modems, and Internet access) as Varian reasonably requires to perform the training or professional services. The customer staff that is to be trained shall be available during the scheduled time of the training event.

d. On-site training, when part of a Service Level Agreement, is in lieu of the "Associated Training" defined in the context of upgrades to the system, and it is not a separate or additional training entitlement. "On-site" applies to the mode of training being on-site as opposed to being delivered by other means, such as via digital media.

11. Parts

11.1. **Provision of Parts.** Varian shall provide to Customer all parts required in connection with Support Services for Covered Products at no additional cost. Parts provided pursuant to Services shall be included within the definition of "**Products**" for all purposes within Form 1652 except for the length of the warranty period. The Quotation may contain additional terms regarding parts depending on the support level selected by Customer. This section shall not cover parts ordered for spare or stock.

11.2. **Spare Parts Kit.** During the support period for a Covered Product, Customer shall maintain a spare-parts kit including all of the spare parts listed in the Varian standard spare parts list for such Covered Product.

11.3. **Parts Inventory.** Spare parts that the Customer has on hand shall be available to the Varian Customer Support Representative. If the Covered Product is under warranty or under a service agreement, the part will be replaced by Varian at no additional cost. If the Covered Product is not under warranty or under a service agreement, it is the responsibility of the Customer to replenish the spare parts stock.

12. Customer Responsibilities

Customer is responsible for purchasing any additional hardware, network capacity, or other system components required to operate any Upgrade Releases or Purchase Options. Varian shall not be required to provide or support any Upgrade Release or Purchase Option under warranty or an agreement to provide Services if Customer has not obtained the required hardware, network capacity, or other system components.

Varian shall have no responsibility or liability for delays caused by Customer.

VARIAN
medical systems

State of Tennessee
Health Services and Development Agency
Andrew Jackson Building, 9th Floor, 502 Deaderick Street, Nashville, TN 37243
www.tn.gov/hsda Phone: 615-741-2364/Fax:615/532-9940

December 9, 2014

Mr. Joseph M. Winick
Senior Vice President -Planning & Business Development
Erlanger Health System
975 East 3rd Street
Chattanooga, Tennessee 37403

RE: Certificate of Need Application CN1412-048
Erlanger Medical Center

Dear Mr. Winick,

This will acknowledge our December 5, 2014 receipt of your application for a Certificate of Need for the initiation of radiation therapy service and acquisition of a new linear accelerator services at Erlanger East Hospital at 1755 Gunbarrel Road, Chattanooga, TN, a satellite hospital operating under the license of Erlanger Medical Center, 975 East 3rd Street, Chattanooga (Hamilton County), Tennessee. If approved, Erlanger Medical Center will replace an existing linear accelerator located at Erlanger Medical Center's main hospital campus at 975 East 3rd Street in Chattanooga with the result that the number of linear accelerator units will not change in the service area. The satellite hopital's new service will operate under the existing combined/consolidated license of Erlanger Medical Center. The radiation therapy service will complement other oncology services of Erlanger East Hospital.

Several items were found which need clarification or additional discussion. Please review the list of questions below and address them as indicated. The questions have been keyed to the application form for your convenience. I should emphasize that an application cannot be deemed complete and the review cycle begun until all questions have been answered and furnished to this office.

Please submit responses in triplicate by 4:00 p.m., December 18, 2014. If the supplemental information requested in this letter is not submitted by or before this time, then consideration of this application may be delayed into a later review cycle.

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1. **Section A, Applicant Profile, Item 6**

   The Warranty Deed dated 1988 for the tract of approximately 27.89 acres is noted. Absent names of streets as a comparison to the plot plan in the application, what additional insight can the applicant provide to document site control pertaining to Erlanger East Hospital?

2. **Section A, Applicant profile, Item 10**

   Under the notes for this item, the applicant notes a transfer of 70 beds from the EMC main hospital campus to Erlanger East Hospital in CN0405-047AE. However, HSDA records for the Certificate of Need, including recent approval of the project's 4th extension request, reflect approval for the transfer of 79

beds in lieu of 70 beds. Review of the CON approval letter & other related correspondence reveals the project will decrease the main campus beds from 703 to 624 licensed beds and increase the east campus beds from 28 to 107 licensed beds. Please explain. In your response please also provide the bed complement under EMC's consolidated license for its 3 campuses showing all licensed beds by service.

3. **Section A, Applicant Profile, Item 13**

   The applicant's contract with United Care of Tennessee for commercial and Medicare Advantage products is noted. However, please clarify why the applicant does not have a contract with United Healthcare Community Plan for TennCare enrollee's over the age of 21.

   New TennCare Managed Care Contract with the Bureau of TennCare will take effect January 1, 2015 with full statewide implementation for AmeriGroup, BlueCare Tennessee and United Healthcare. Please indicate the stages of contract discussions with each MCO for these new and any other contracts.

4. **Section B. Item I (Project Description),**

   The executive summary is noted. Please include brief descriptions for project funding, financial feasibility/sustainability for the proposed project.

5. **Section B, Project Description, Item II.A.**

   The response pertaining to construction is noted. However, the 7,396 total square feet for the proposed radiation therapy service in the response is less than the total size of the project identified in the Square Footage Chart on page A-16 (8,020 total square feet). Further the response makes no note of the scope of work related to the inpatient/outpatient pharmacy that was addressed in the 11/26/14 architect's letter on page A-15 of the application. Please explain.

   Square footage Chart - The total costs for the areas in the chart were omitted. Please add this information and submit a revised chart in a replacement page for the application.

6. **Section B Item Project Description II.D.**

   Please describe the applicant's enhancements pertaining to the development and operation of EMC's comprehensive cancer program, including the addition of a radiation therapy service at Erlanger East Hospital.

   Suggested contents to help the Agency gain a better understanding of the service are as follows: (1) a description of the services of the oncology program such as surgery, diagnostic and treatment (chemotherapy) services; (2) a description of any specialized services (e.g., mammography screening, community education programs for cancer, etc.); (3) a description of any specialized equipment for diagnostic and/or treatment services; (4) a description of hospital/medical staff organizational structures for coordinating the activities of the oncology program, including information

systems such as its tumor registry and tumor board; and (5) a description of EMC's participation in any clinical investigative protocols through formal oncology network relationships with other providers.

In your response, please include an estimate of cancer surgeries as a percentage of EMC's and Erlanger East's total surgical procedures in 2012, 2013 and 2014. Please also address chemotherapy caseloads at Erlanger east for these periods going forward Year 1 of the project.

7. Section B, Project Description, Item II.E 1.a – Items 1and 3

The response to Item 1 matches the $3,065,941 Varian Truebeam vendor equipment quote vendor effective through March 2015. However, this cost does not match the total fixed equipment cost in Line 7 of the Project Costs Chart on page 39 of the application ($5,351,093). Please clarify and reconcile by identifying all applicable costs for the linear accelerator, including the base equipment cost, warranty, shipping and taxes.

For clinical applications, please identify and describe the clinical features and advantages of the unit pertaining to its ability to perform IMRT, IGRT and SRS procedures, at a minimum. It may be helpful to a better appreciation of the project to describe how these items contribute to the applicant's plans to provide modern cancer radiation therapy services.

8. Section B, Project Description, Item III (Plot Plan)

The 2 versions of plot plans are noted. For the page A-17 version, Please insert an arrow that identifies the location & entrance of the proposed radiation therapy service. For version on page A-18, please revise by including the names for Gunbarrel and Crane Streets.

9. Section C, Need, Item 1.a. (Specific Criteria, Construction and Renovation)

Given the project focus on replacement and relocation of one of EMC's two existing units to its satellite hospital Erlanger East, please provide responses for the criteria pertaining to construction and renovation criteria in this section (*Sumner Regional Hospital, CN1408-036A, may be helpful as an example*).

10. Section C, Need, Items 3, 4.A, and 4.B (Service Area)

Item 3 - The county designation and justification of the service area is noted. The table in the response is based on data from the THA Health information Network. Since HSDA Equipment Registry Data is also available to measure patient origin by service, it would be helpful to comparing the table using both sets of data. Please provide the table using HSDA for radiation therapy treatments by residents of the 10 county TN service area in 2011, 2012 and 2013. In your response, please note any major differences between the data, as appropriate.

Item 4.A - your response to this item using data from Claritas and THA Health Information Network is noted. However, please complete the following chart using information from the Department of Health population projections.

Demographic of Service Area	Bledsoe	Bradley	Grundy	Hamilton	Marion	MCMinn	Meigs	Polk	Rhea	Sequatchie	Service Area	State of TN
Total Population-Current Year -2014												
Total Population-Projected Year -2018												
Total Population-% change												

Item 4.B – Please briefly summarize the cancer rate in the service area using data from the TN Department of Health (TDH) such as the cancer registry or applicable recent publication (e.g. Cancer in Tennessee, 2005-2009). Specifically, please identify cancer use rates by county for the most recent 3 consecutive year period available and compare to statewide and national averages. Please also provide the linear accelerator treatments per 1,000 population for the service area and the State of Tennessee overall. Linear accelerator treatment data is available from Alecia Craighead at the HSDA offices.

11. Section C, Need Item 5

The table of linear accelerator utilization trends of existing providers in the service area is noted. Please add columns to the table that identify (1) each hospital's mileage from Erlanger East and (2) # procedures by residents of the 10 county TN service area for each provider for each of the periods shown (please contact Alecia Craighead, Stat III, for assistance with data from the HSDA Equipment Registry for this response).

Please complete the table below for the utilization of existing linear accelerators in the 10 county Tennessee portion of the service area using data from the HSDA Equipment Registry.

10-County TN Service Area Historical Utilization

Facility	# Units	2011 procedures	2012 Procedures	2013 procedures	% Change '11-13	2013 txs per unit as a % of 7688 optimal standard
10 County TN Service Area						
EMC Main Campus						
EMC as a % of Providers						

12. Section C, Need, Item 6 (Applicant's Utilization)

Review of the JAR of EMC's radiation therapy-linear accelerator utilization revealed discrepancies with HSDA Equipment Registry records. For example, the 2011 JAR reflects 1,059 inpatient procedures plus 18,582 outpatient procedures for a total of 19,641 radiation therapy procedures compared to the 8,837 total procedures that were

reported by the applicant to HSDA for the period. The differences in the total utilization by year between the JAR and HSDA data is noted below:

Comparison of Annual Radiation Therapy Procedures by Reporting Source

Source	2011	2012	2013
HSDA Equipment Registry	8.837	9,516	9,519
Applicant's JAR	19,641	24,303	24,090
Patients –JAR only	Not reported	916	640
Estimated average # procedures/patient (JAR only)	Not reported	28 per patient	38 per patient

Please explain what accounts for the difference in the utilization between what EMC reported to TDH and HSDA. In your response, please also identify and describe what patients can expect for a typical course of treatment such as 38 treatments per patient for a general course of treatment in a given year, 28 per patient for IMRT, etc.

The general utilization for Erlanger Medical Center is noted. However, please respond to the question specific to for projected utilization linear accelerator services by completing the table below.

Historical and Projected Linear Accelerator Treatments

Location of Unit	2012	2013	2014 (estimated)	Year 1	Year 2	% Change '11-Year 2
EMC Main Campus						
Erlanger East Hospital						
Total						
As a % of 7,688 optimal capacity/unit						

13. Section C, Economic Feasibility, Item 1 (Project Costs Chart)

The filing fee is short by $2.00. Please revise the chart and submit a replacement page. Please also remit the additional $2.00 with your response.

Proposed linear accelerator unit - the following definition regarding major medical equipment cost in Tennessee Health Services and Development Agency Rule 0720-9-.01 (13)(b) states " The cost of major medical equipment includes all costs, expenditures, charges, fees, and assessments which are reasonably necessary to put the equipment into use for the purposes for which the equipment was intended. Such costs specifically include, but are not necessarily limited to the following: (1) maintenance agreements, covering the expected useful life of the equipment; (2) federal, state, and local taxes and other government assessments and (3) installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding."

Is the $5,351,093 fixed equipment cost listed in Line A.7 of the Project Cost Chart consistent with this Rule? In your response, please provide a breakout of the key cost items of the fixed unit that apply to the project. If not, please

make the necessary equipment cost adjustments and submit a revised Project Cost Chart.

14. Section C, Economic Feasibility, Item 4 (Historical & Projected Data Charts)

Given the hospital's satellite facility status under EMC's consolidated license and EMC's plans to continue operation of a linear accelerator at the main hospital campus, please also provide a Projected Data Chart for the hospital's radiation therapy service as a whole (*note: the requested Projected Data Chart would identify the utilization and financial performance based on EMC's 2 linear accelerator units at both locations*).

Please identify other expenses by completing the following table for both the Historical and Projected Data Charts provided on pages 42 and 43 of the application.

OTHER EXPENSES

OTHER EXPENSES CATEGORIES	Year____	Year___	*Year*____
1.	$_____	$_____	$_____
2.	_____	_____	_____
3.	_____	_____	_____
4.	_____	_____	_____
5.	_____	_____	_____
6.	_____	_____	_____
7.	_____	_____	_____
Total Other Expenses	$_____	$_____	$_____

15. Section C. (Economic Feasibility) Question 5

The average gross charge, average deduction and average net charge of EMC is noted. However, please identify for the radiation therapy service of EMC as a whole and complete the table below.

Average Gross Charge Trend, EMC Radiation Therapy Service

Year	# Linear Accelerator Units	EMC Radiation Therapy Treatments	Average Gross Revenue (charges)	Average gross charge per treatment
2011	2	8,837	$9,526,460	$1,078
2012	2	9,516	$9,351,036	$983
2013	2	9,519	$7,999,663	$840
% Change '11-'13	*NC*	*+7.8%*	*-16%*	*-22%*
2014 (estimated)	2			
2015 (projected)	2			
Year 1*	2			
Year 2	2			
% Change '14-Year2				

Note: Year 1 includes treatments and total gross revenues for both of EMC's linear accelerator units (1 at EMC main campus and 1 at Erlanger East satellite hospital)

The average gross charge for EMC's existing radiation service for 2013 appears to be $840 per treatment (per HSDA records and applicant's table on page 45), a 22% decrease from $1,078 per treatment in 2011. Although the change in the rate has decreased, the projected average gross charge in Year 1 amounts to a significant increase of approximately 48.3% from EMC's average gross charge in 2013. Please explain the reasons for the changes noted above.

It appears that the average gross charge from the Projected Data Chart for Erlanger East Hospital on page 43 amounts to $1,195 per treatment in Year 1 increasing by 4.3% to $1,246 per treatment in Year 2. What accounts for this increase in light of the existing radiation therapy service's declining rate history noted above?

16. Section C, Economic Feasibility, Questions 6. A and 6.B

Item 6.A - Please respond to this question specific to the proposed linear accelerator service. In your response, please identify fees for specialized procedures for this service such as IMRT.

Item 6.B - Please also compare the proposed Gross Charges per Treatment by quartiles for using the following table:

Gross Charges per Procedure/Treatment
By Quartiles
YEAR = 2013

Equipment Type	1st Quartile	Median	3rd Quartile
Linear Accelerator	$913.94	$1,113.33	$1,521.69
Source: Medical Equipment Registry – 9/25/2014			

17. Section C, Economic Feasibility, Question 7

Please also respond to this question specific to the proposed Radiation Therapy service.

18. Section C, Economic Feasibility, Item 9

It appears the combined amount of projected gross operating revenue for Medicare and TennCare is approximately 55.6% of total projected gross revenue in Year 1. Please identify the dollar amount and percentage of total projected gross operating revenue anticipated by each payor source for Year 1 of EMC's radiation therapy service in the table below (*note: the projected payor mix should be based on 2 units in operation -1 at EMC's main campus & 1 at Erlanger East*)

EMC's Radiation Therapy Service Payor Mix, Year 1

Payor Source	2014 EMC Gross Revenue (as a % of total)	Year 1 EMC Projected Gross Revenue (as a % of total)
Medicare		
Tenncare		
Managed care		
Commercial		
Self-Pay		
Other		
Total		

Please indicate how medically indigent patients will be served by the project. In your response, please identify the number of patients or procedures to be provided as charity in Year 1 of the project.

19. Section C, Economic Feasibility, Items 10 and 11

Item 10 – in comparing the Historical Data Chart to the Operating Statement on page A-107, it appears there is a difference of approximately $19 million in Net Operating Revenue for the period ending June 30, 2014 indicating that the applicant's net operating income may be overstated for the period. Please explain by discussing what accounts for the differences between the financial performance data.

Item 11- Given the average utilization of EMC's 2 existing units at approximately 50% or less of the optimal utilization for linear accelerators coupled with Erlanger East's close proximity to EMC's main campus (less than 10 miles) please discuss why simply replacing the outdated unit at the main hospital may not be a practicable alternative.

20. Section C, Contribution to Orderly Development, Item 1 and Item 3

Item 1 - The list of transfer agreements in Attachments A-24 through A-27 is noted. However, some agreements for approximately 5 providers expired within the last 90 days. Please clarify the status with these providers.

Item 3 - Please provide the proposed staffing pattern for all employees of EMC's radiation therapy service in Year 1 of the project and compare to the staff salaries/prevailing wage patterns of similar personnel in the service area. Also, please provide the reference for the area wide wages.

Position Title	FTEs Main Campus	Proposed FTEs Erlanger East	Total FTES	Average Wage	Area-wide Average Wage
Total					

21. Section C, Contribution to Orderly Development Item 7.c.

There was no plan of correction for the deficiencies noted in the 5/13/2014 survey by TDH, nor was there a copy of an acceptance letter submitted as noted in the application. Please explain.

22. Section C, Orderly Development, Item 8

The applicant has responded N/A to items 8 and 9. Please provide a narrative response addressing the question.

23. Outstanding Project Update

A brief two to three sentence update will be appreciated regarding the progress on the implementation of the following projects:

CN1307-027A –initiation & acquisition of PET/CT unit at EMC main campus
CN1207-034A-Renovation, upgrade and modernization of adult operating rooms and addition of 4 ORs
CN0405-047A – Erlanger East Expansion
CN1012-056A.- Erlanger North Conversion of 30 acute care beds to 30 skilled nursing beds & initiation of skilled nursing services

Please include where the project currently stands (i.e., what phase) in the implementation process, when the projected is expected to be completed and the expiration date of the Certificate of Need

In accordance with Tennessee Code Annotated, §68-11-1607(c) (5), "...If an application is not deemed complete within sixty (60) days after written notification is given to the applicant by the agency staff that the application is deemed incomplete, the application shall be deemed void." **For this application the sixtieth (60th) day after written notification is February 10, 2015. If this application is not deemed complete by this date, the application will be deemed void.** Agency Rule 0720-10-.03(4) (d) (2) indicates that "Failure of the applicant to meet this deadline will result in the application being considered withdrawn and returned to the contact person. Re-submittal of the application must be accomplished in accordance with Rule 0720-10-.03 and requires an additional filing fee." Please note that supplemental information must be submitted timely for the application to be deemed complete prior to the beginning date of the review cycle which the applicant intends to enter, even if that time is less than the sixty (60) days allowed by the statute. The supplemental information must be submitted with the enclosed affidavit, which shall be executed and notarized; please attach the notarized affidavit to the supplemental information.

If all supplemental information is not received and the application officially deemed complete prior to the beginning of the next review cycle, then consideration of the application could be delayed into a later review cycle. The review cycle for each application shall begin on the first day of the month after the application has been deemed complete by the staff of the Health Services and Development Agency.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. ɔ 68-11-1607(d):

(1) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication

received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.

(2) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have any questions or require additional information, please contact this office.

Sincerely,

Philip Grimm, MHA
HSDA Examiner
Tennessee Health Services and Development Agency

CONSTRUCTION, RENOVATION, EXPANSION, & REPLACEMENT OF HEALTH CARE INSTITUTIONS

CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT OF HEALTH CARE INSTITUTIONS

1 Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.

2. For relocation or replacement of an existing licensed health care institution:

   a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.

   b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.

3. For renovation or expansions of an existing licensed health care institution:

   a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.

   b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

State of Tennessee
Health Services and Development Agency
Andrew Jackson Building, 9th Floor, 502 Deaderick Street, Nashville, TN 37243
www.tn.gov/hsda Phone: 615-741-2364/Fax:615/532-9940

December 22, 2014

Mr. Joseph M. Winick
Senior Vice President -Planning & Business Development
Erlanger Health System
975 East 3rd Street
Chattanooga, Tennessee 37403

RE: Certificate of Need Application CN1412-048
Erlanger Medical Center

Dear Mr. Winick,

This will acknowledge our December 18, 2014 receipt of your first supplemental response and December 22, 2014 receipt of "Additional Information to Supplemental 1" pertaining to your application for a Certificate of Need for the initiation of radiation therapy service and acquisition of a new linear accelerator services at Erlanger East Hospital at 1755 Gunbarrel Road, Chattanooga, TN, a satellite hospital operating under the license of Erlanger Medical Center, 975 East 3rd Street, Chattanooga (Hamilton County), Tennessee. If approved, Erlanger Medical Center will replace an existing linear accelerator located at Erlanger Medical Center's main hospital campus at 975 East 3rd Street in Chattanooga with the result that the number of linear accelerator units will not change in the service area. The satellite hospital's new service will operate under the existing combined/consolidated license of Erlanger Medical Center. The radiation therapy service will complement other oncology services of Erlanger East Hospital.

Several items were found which need clarification or additional discussion. Please review the list of questions below and address them as indicated. The questions have been keyed to the application form for your convenience. I should emphasize that an application cannot be deemed complete and the review cycle begun until all questions have been answered and furnished to this office.

Please submit responses in triplicate by 4:00 p.m., December 29, 2014. If the supplemental information requested in this letter is not submitted by or before this time, then consideration of this application may be delayed into a later review cycle.

1. **Section A, Applicant Profile, Item 10**

   The response with the breakout of beds for Erlanger East and EMC as a whole is noted. As the applicant mentions, Erlanger East had 2 approved certificate of need projects (CN0407-047AE and CN0407-067A) that resulted in an increase from 28 to 113 licensed beds. While this confirms the 113 licensed beds status, it appears there is a slight difference in the breakout by service between the bed complement chart on page 6 of the application and the table from the HSDA staff summary for CN0407-067A (excerpted below).

   Please briefly clarify and/or provide an update about the breakout of beds by category.

	Current Licensed	*Staffed Beds*	*CN0405-047 Approved*	*Proposed*	*Total at Completion*
Medical	*4*	*4*	*51*		*55*
Surgical	*8*	*8*	*17*		*25*
Obstetrical	*16*	*16*	*7*		*23*
ICU			*4*		*4*
Level IIA				*6*	*6*
Total	*28*	*28*	*79*	*6*	*113*

Source: HSDA staff summary, CN0407-067A

2. **Section A, Applicant Profile, Item 13**

   The response regarding the status of coverage with United Care of Tennessee for commercial and Medicare Advantage products is noted. Given the 43% projected Medicare mix and 23% commercial mix provided on page 20 of your supplemental response, what is the estimated # of enrollees for the proposed service that would need to seek services elsewhere from other providers with linear accelerator units and what assistance would be available from EMC for same?

3. **Section B Item Project Description II.D.**

   The description of Erlanger East Hospital's cancer program is noted. Just to gain some perspective, review of the Joint Annual Report for EMC revealed 17 inpatient and 848 outpatient for a total of 865 chemotherapy patients in calendar year 2103. Is the 700 estimated chemotherapy patient caseload at Erlanger East additional to volumes at the main EMC hospital campus or is some level of shifting expected in the near future? Please address the impact, if any.

   As for surgeries, review of the 2013 JAR revealed 23,870 inpatient and 27,951 outpatient for a total of 51,821 total surgical procedures in CY2013. What was the approximate percentage of surgeries related to cancer during the period? Could the projected cancer surgery caseload mix at Erlanger East be similar to the historical composition of cancer surgeries at EMC? Please discuss.

4. Section B, Project Description, Item II.E 1.a – Item 1 and Section C, Economic Feasibility, Item 1 (Project Costs Chart)

The response with revised Project Costs Chart identified $3,065,941 for the purchase of a Varian Truebeam unit, $690,345 for a CT simulator and $1,458,984 for the cost of a 5-year service agreement for a total medical equipment cost of $5,215,270 as noted in line A.7 of the revised chart. Review of the October 2, 2014 vendor quote by Varian Medical Systems revealed that the cost of a 5 year service agreement for the unit was missing from the quote. Please provide documentation such as an addendum to the vendor quote that supports the linear accelerator unit's $1,458,984 service cost. In addition, what are the amounts included for shipping and taxes in the revised Project Costs Chart? Please clarify.

5. Section C, Need, Item 1.a. (Specific Criteria, Megavoltage Radiation Therapy))

As requested by HSDA staff on 12/18/14, responses to the criteria for the proposed service at Erlanger East Hospital were provided on 12/22/14 as "Additional Information to Supplemental 1". Thank you for providing the additional information. There are a few questions for clarification that need to be addressed as follows:

Item 1.a - It appears that the applicant has misunderstood the criterion. The criterion applies to linear accelerators that are not dedicated to performing SRT and/or SBRT procedures. Please provide a response for each of the items noted in the question (items i-iv).

Based on Year2 projected utilization of 5,500 procedures or approximately 92% of the 6,000 procedure minimal procedure standard, it appears unlikely that the proposed unit will reach optimal utilization of 7,688 procedures by Year 3. When does the applicant expect to achieve the optimal utilization standard for the unit? Is this consistent with historical utilization of the 2 existing units at the EMXC's main hospital campus? Please explain.

Item 2.a – based on the responses to the 12/18/14 supplemental response, the applicant explained that it has understated annual utilization in reports to the HSDA Equipment Registry. The applicant's revised linear accelerator volumes compared to current HSDA utilization data on record are shown in the table below.

Year	Revised Procedures CN1412-048 (Item 15, Supplemental 1)	Current Procedures as Reported to HSDA
2011	9,756	8,837
2012	10,134	9,516
2013	9,934	9,519

Please revise the historical utilization in both tables of this item. ***Important note: in order to complete our initial review of the application, the revised linear accelerator procedures with supporting detail such as a breakout by***

CPT codes and reasons for the change must be reported to HSDA. Please contact Alecia Craighead, HSDA Stat III, to revise the data.

Item 7- HSDA Equipment Registry Reports: as noted above for Item 2.a. The applicant has reported different historical utilization for EMC in the 12/18/14 supplemental response to CN0412-048. Please contact Ms. Craighead to report the new amounts for 2011 – 2013.

6. **Section C, Need, Item 5 (Historical Utilization)**

As noted in question 5 above, the applicant has revised the historical utilization for its radiation therapy service. The utilization for EMC in the table provided for the response to this item (page 12) should be consistent with the applicant's historical volumes reported in the 12/18/14 supplemental response to CN0412-048. Please contact Alecia Craighead to report the changes, and then revise both tables provided in the response for this item.

7. **Section C, Economic Feasibility, Item 4 (Historical & Projected Data Charts)**

The Projected Data Chart for the hospital's radiation therapy service as a whole that identifies the utilization and financial performance of EMC's 2 linear accelerator units at both locations is noted. Please complete the table below illustrating key aspects of the EMC radiation therapy service's financial performance from 2013 to Year 2 of the project.

Year	Utilization	Gross Revenue	Average Gross Revenue per procedure	Net Operating Income (NOI)	NOI as a % of Total Gross Operating Revenue
2013					
2014 (estimated)					
Year 1					
Year 2					
% Change '13 to Year 2					

8. **Section C. (Economic Feasibility) Question 5**

The gross revenue amounts and in the table provided in the response for this item are different (and lower) than the amounts provided on page A-12 of the Projected Data Chart for the EMC radiation therapy service. As a result, the average Year 1 and Year 2 gross charges in the table provided in the response are lower than the amounts that follow from the Projected Data Chart ($1,195 in Year 1 and $1,220 in Year 2). Please make the necessary revisions and changes to the gross revenue and average gross charge columns of the table such that the amounts are consistent with the Projected Data Chart provided in Supplemental 1.

With respect, to EMC's historical utilization, please contact Ms. Craighead to report the changes and provide the supporting CPT information needed for approval.

It appears that the average gross charge from the Projected Data Chart provided in Supplemental 1 for EMC on page A-12 amounts to $1,195 per treatment in Year 1 increasing by 2.1% to $1,220 per treatment in Year 2. What accounts for this increase in light of the existing radiation therapy service's declining rate history noted above?

9. Section C, Economic Feasibility, Questions 6. A and 6.B

The response is noted. For Item 6.A, please also compare the proposed charges by procedure classification provided on pages A-13 and A-14 to the current Medicare Allowable fee schedule.

10. Section C, Economic Feasibility, Item 9

The response is noted. Please show the total gross revenue amounts for EMC's service in Year 1 by payor mix in the table below. Please note that *the projected payor mix should be based on 2 units in operation during the first year of the project - 1 at EMC's main campus & 1 at Erlanger East*).

EMC's Radiation Therapy Service Payor Mix, Year 1

Payor Source	Year 1 EMC total gross revenue	as a % of total gross revenue
Medicare		
Tenncare		
Managed care		
Commercial		
Self-Pay		
Other		
Total		

11. Section C, Contribution to Orderly Development, Item 7.c.

The plan of correction on pages A-17 – A-50 is noted. However, acceptance of the POC by an authorized representative of the Department of Health appears to have been omitted from the response. Please provide the documentation.

In accordance with Tennessee Code Annotated, §68-11-1607(c) (5), "...If an application is not deemed complete within sixty (60) days after written notification is given to the applicant by the agency staff that the application is deemed incomplete, the application shall be deemed void." **For this application the sixtieth (60th) day after written notification is February 10, 2015. If this application is not deemed complete by this date, the application will be deemed void.** Agency Rule 0720-10-.03(4) (d) (2) indicates that "Failure of the applicant to meet this deadline

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Should you have any questions or require additional information, please contact this office.

Sincerely,

Philip Grimm, MHA
HSDA Examiner
Tennessee Health Services and Development Agency